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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,365

Monday July 9 1984

D 8523 B

Hawke squares up  
to a party  
conference, Page 18

## NEWS SUMMARY

### GENERAL

#### Beirut unity move delayed

Protests by families of kidnap victims seized during Beirut's sectarian violence prevented the planned reopening of crossings on the "Green Line" dividing the city. Demonstrators, demanding the return of hostages still held by rival militias, set up barricades and burned tyres at the three crossings. That halted the plan to reunify the city for the first time since February. Beirut airport, also closed since then, was due to reopen this morning but that might also be set back. Page 3

#### Canada poll likely

New Canadian Premier John Turner is expected to call a snap general election. Page 20

#### Vienna arrests

Austrian police believe a nine-strong guerrilla group captured with guns and explosives was planning to attack a Pakistani target in Vienna.

#### Derailment deaths

Five people died and 137 were injured when an Amtrak train traveling from Washington to Montreal left the rails near Williston, Vermont. Carriages plunged down a ravine after heavy rain.

#### Rains hit Korea

Landslides and floods caused by torrential rains in South Korea brought a five-day death toll of 22 people with 25 others still missing. 4,000 made homeless, heavy crop losses, and property damage estimated at \$36m.

#### Mitterrand visit

French President Francois Mitterrand begins a three-day visit to Jordan today to advance Middle East peace. He will talk with King Hussein, who is pressing for a greater European involvement in resolving regional conflict.

#### Papal backing

Pope John Paul, in a message to a West German Roman Catholic lay congress in Munich, endorsed the "Decide for Life" campaign in the German church aimed at ending legal abortion even for mothers whose lives are endangered.

#### Kohl in Mexico

West German Chancellor Helmut Kohl was due in Mexico from Argentina for a three-day stay to discuss regional peace and the debt crisis. The visit is the first by a Chancellor since diplomatic links were established in 1952.

#### Israeli strikes

Industrial disruption in Israel over wage demands spread to air and seaports and banks. Page 3

#### Stitched up

A black market racket in medical supplies was discovered among workers at a pharmaceutical warehouse in the Soviet spa resort Pyatigorsk. Stealing and selling bandages and other essentials led to 125 dismissals.

#### Winning Finn

Kalle Rosberg of Finland, driving a Williams, won the Dallas Grand Prix, delayed and foreshortened by track defects and complicated by a heatwave. Frenchman René Arnoux in a Ferrari was second and Elio de Angelis of Italy with a Lotus took third.

#### Triumph for McEnroe

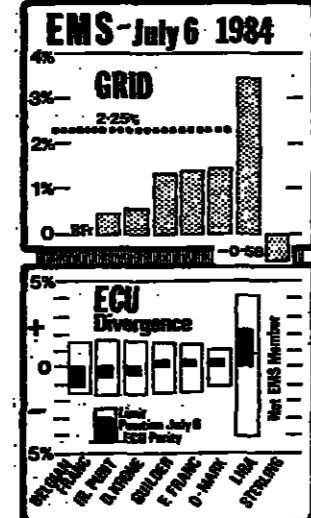
John McEnroe beat Jimmy Connors 6-1, 6-1, 6-2 in the Wimbledon men's tennis final - the fewest games of any post-war final.

### BUSINESS

#### Caricom members face debt crises

HEADS of Government of the Caribbean Economic Community are seeking the assistance of the World Bank and IMF to meet debt difficulties. Heavily indebted member countries are said to be facing "grave crises." Page 20

ATTENTION remained focused on the strength of the dollar last week. There was little change in the cross rates within the European Monetary System, however, with the D-Mark's current weakness against



the dollar helping to minimise any downward pressure on the weaker members. The Bundesbank was active on most days selling dollars in an attempt to curb the rise. The Belgian franc remained the weakest member but was placed well within its divergence limit.

The chart shows the time constraints of European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the ECU) may move more than 2% per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

BANK OF FRANCE is signalling possible cuts in commercial bank lending rates by reducing its money market intervention rate. Page 2

CHINA and Australia are to work towards a model arbitration clause to cover private trade and investment contracts, which would become the first such pact with Peking. Page 4

EEC FINANCE ministers meet today to seek a common method of collecting value-added tax on imported goods, in order to simplify goods transit among the Ten. Page 3

REED INTERNATIONAL, UK printing and paper group, came under further pressure from publisher Robert Maxwell to accept his £30m (\$105.4m) bid for its Mirror Group Newspapers unit. He withdrew all conditions from the offer.

MR DAIM ZAINUDDIN, one of the most influential figures on the Malaysian corporate scene, and Multi-Purpose Holdings, the biggest Malaysian Chinese corporate group, have agreed to exchange ownership, and control of two banks: United Malaysian Banking Corporation and the Malaysian French Bank. Page 22

The editorial content of today's international edition has been restricted because of continuing industrial action at Frankfurter Societis-Druckerei, where the edition is printed. This prevents the publication of late-breaking news.

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Publication of the Financial Times was prevented on Friday by industrial action by the National Union of Journalists.

## Lagos to demand increase in oil production quota

BY DOMINIC LAWSON IN VIENNA AND IAN HARGREAVES IN LONDON

NIGERIA will demand a higher oil production quota when ministers of the Organisation of Petroleum Exporting Countries meet in Vienna tomorrow. That will set the stage for the most difficult Opec session since the London meeting in the spring of 1983, when official prices were cut by \$5 a barrel.

Professor Tam David-West, Nigeria's Oil Minister, said yesterday that if other Opec ministers did not agree to his request, Nigeria - one of the few Opec countries to have stuck to its quota in recent months - might be forced to increase production anyway.

"I will go for the happiness of Nigeria before the happiness of Opec. Otherwise I would not have a country to go back to," Prof David-West said in Vienna yesterday.

"Others are benefiting from our observance of quotas," he added. Nigeria, he maintains, has stuck precisely to its 1.3m b/d quota throughout the second quarter of this year.

Some other Opec members, notably the conservative Gulf states, led by Saudi Arabia, have overproduced, with the result that Opec

Oil supply-demand balance (mb/d)

	2nd qtr 1983	2nd qtr 1984
Opec production*	17.7	19
Non-Opec production*	25.6	26.8
Total supply	43.3	45.8
Consumption	43	44
Gap between supply and demand	0.3	1.8

\* Includes crude and condensates  
Source: IEA oil market report, July

production is currently running by between 1m and 1.3m b/d over the intended production ceiling of 17.3m b/d of crude oil.

Saudi Arabia, which does not have a quota but is expected as the swing producer of Opec to stick to a limit of 5m b/d, produced an estimated 5.7m b/d of oil in June.

This has been a main cause of the sharp slide in oil prices in the last month, during which time the price of Arab light crude has fallen from \$28.50 a barrel to \$27.50 a bar-

rel - a decline reflected also in falling North Sea oil prices.

The problem has been exacerbated by weak demand for oil. According to latest report of the Paris-based International Energy Agency, oil supply exceeded consumption by 1.8m b/d in the second quarter of this year.

Demand for oil in the second quarter was only 3 per cent higher than in the corresponding quarter of 1983, compared with a 4.9 per cent rise between the first quarter of each year. European oil demand actually fell in the second quarter.

Those trends have led many observers to forecast a further drop in prices. "The price of crude in three months' time may be anywhere between \$25 and \$35 a barrel," says Europ-Oil prices, an industry newsletter. "If the price starts to go down again after Vienna, one oil company man said, 'It is hard to see a bottom. He thought \$18' a real possibility."

That recipe for alarm suggests Continued on Page 20 Tanker owners cautious, Page 4

## Developed world 'must beat inflationary fears'

BY STEWART FLEMING IN WASHINGTON

POLICY failings in the industrial countries, not just in the developing world, contributed to the severity of the 1980-83 recession, and shifts in policy will be needed if the international economy is to return to the growth rates of the 1960s.

This is one of the main conclusions of the World Bank's 1984 World Development Report, which was released for publication at the weekend. The report says the onus is on the developed countries to take the initiatives needed to improve the world economic outlook. In particular through steps to liberalise trade and improve the performance of their own economies.

"Growth prospects throughout the world would be transformed if the (industrial countries) overcame the rigidities and inflationary fears that slowed them down in the past

ten years," the World Development Report says.

However, the report rejects moves to increase nominal demand in the developed countries as a way of achieving higher levels of employment or lower interest rates. It says, too, that because of the disappearance of the oil exporting countries' surpluses and the budget deficit of the U.S., global savings rates are unlikely to regain the level of the early 1970s and that, therefore, interest rates are likely to remain higher than they were during this period.

The emphasis the World Bank puts on the impact of policy decisions in the industrial world on economic growth in developing countries will tend to reinforce the arguments of developing countries. They are bitterly and increasingly

arguing that the international debt crisis is forcing them unevenly to adjust their economies to the harsher international economic environment.

The World Bank report does emphasise the divergence in the economic performance of different groups of developing countries. It notes, in particular, the ability of Asian developing countries to weather the recent recession with only slight declines in economic growth. On the other hand, Latin American countries have suffered severe recessions.

The report says that economic policies in Asia help to explain these divergences. Countries with

Continued on Page 20 Sharing the blame, Page 3; editorial comment, Page 18

## German tyre maker attempts to block unwelcome share raids

BY JOHN DAVIES IN HANOVER

CONTINENTAL Gummi-Werke, West Germany's largest tyre maker, is pressing ahead with efforts to market its new type of tyre after taking steps to thwart any unwelcome share raid by competitors.

The Hanover-based company has already held talks with vehicle manufacturers and other tyre producers about introducing the so-called Conti-TyreSystem, which it presented late last year.

The management has convinced shareholders that the talks would have more chance of success if the company prevented any competitor from gaining an influential share stake.

As a result, shareholders voted by a large majority at the annual meeting to limit the voting rights of any single shareholder to no more than 5 per cent of the total.

The vote at the meeting on Friday closely followed a claim by Conti-Gummi that it had learnt that Goodyear, the U.S. tyre concern, had been offered but had rejected a share stake in the West German concern.

Herr Helmut Werner, Conti-Gummi's chief executive, told shareholders that potential partners wanted to be sure that the German compa-

ny was independent before they would enter into or extend technological co-operation.

Company executives said it appeared that no shareholders at present had more than a 5 per cent stake. In recent years the largest shareholders - Deutsche Bank, Munich Re-Insurance and Bayer, the chemicals concern - decided to sell their stakes, in each case about 10 per cent of the total.

Heavy trading in Conti-Gummi shares over the past 18 months has fuelled speculation that an important new shareholder might suddenly emerge.

Herr Werner said that a big shareholder, either West German or foreign, might be welcome as long as its share purchase made strategic sense for Conti-Gummi. He pointed out that other West German companies, including Deutsche Bank, Bayer and Volkswagen, had limited shareholders' voting rights.

The new type of tyre developed by Conti-Gummi hooks over the rim of the wheel rather than hanging from it. The company claims that it will be safer, will reduce fuel consumption, last longer and may eli-

minate the need for vehicles to carry a spare tyre.

Herr Werner said Conti realised it could not introduce the tyre on its own as it required adjustments on the part of vehicle manufacturers and general acceptance in the tyre trade.

Despite the virtual shutdown of the car industry through the seven-week metalworkers' strike, Herr Werner said it seemed possible that Conti-Gummi could continue paying a dividend. It made a DM 3 payout per share on last year's result.

Herr Werner said the group lost sales revenue of DM 65m and had to bring in short-time working because of the metalworkers' dispute, but hoped to make up at least part of the lost production in the rest of the year.

Conti-Gummi, which was on the brink of ruin just over 10 years ago, has streamlined its tyre production and its manufacture of other rubber products. Key elements in its recovery programme have been increased emphasis on technological development and co-operation pacts with partners abroad, including General Tyre in the U.S. and Toyo Tire and Rubber Company of Japan.

## Nigerian diplomats may face expulsion from UK

By Stephanie Gray and John Hunt in London

NIGERIAN diplomats may be expelled from Britain if they are found to have been involved in the abduction last Thursday of Dr Umaru Dikko, Whitehall officials said yesterday. The fugitive former Transport Minister is wanted in Nigeria to face charges of corruption.

Despite anger among ministers, however, it is highly unlikely that Britain would sever diplomatic relations with such an important trading partner and Commonwealth member.

A serious deterioration in relations might result if Nigeria took action against British investment there such as Unilever's United Africa Company and Barclays and Standard Chartered banks.

Dr Dikko was found drugged in a crate at Stansted airport marked as diplomatic baggage and addressed to the External Affairs Ministry in Lagos.

About the same time, a British Caledonian aircraft with 260 passengers was ordered to return to Lagos. The aircraft arrived in Britain yesterday after the Nigerian Airways aircraft which was to have carried the crate was given permission to leave Stansted.

The British Government appears not to want to exacerbate tensions, particularly in view of strong anti-British sentiment in press and state radio reports in Nigeria.

While the military government of Maj Gen Muhammadu Buhari again vigorously denied involvement in the abduction, the Sunday Times of Lagos declared Britain "an enemy of the interests of the Nigerian people" for having given refuge to Dr Dikko.

The former minister angered the Buhari regime by calls from London for a popular uprising. The kidnap attempt was widely welcomed in Nigeria.

The Foreign Office has asked the Nigerian Government to waive diplomatic immunity should any Nigerian High Commission staff be found culpable. None of the four men still held has yet claimed such immunity. A waiver would allow anyone with diplomatic status to be tried in Britain.

Two of the four may be members of Mossad, the Israeli intelligence agency, but any official link with them has been denied in Jerusalem. The other two are believed to be Nigerians.

Police began talks with Dr Dikko Continued on Page 20

## Adequacy of £ defence move watched

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government will be monitoring the foreign exchange markets with special anxiety this morning to assess whether Friday's rise in interest rates will prove enough to check the recent slide in sterling.

The pound's performance on Friday was described by several London brokers and dealers as "disappointing" after clearing banks' base lending rates were raised 3/4 of a percentage point to 10 per cent. The Bank of England endorsed the move by raising the rates at which it lends to the banking system to 10 per cent, in the face of a steep decline in sterling.

In spite of the rise in UK interest rates, the pound closed slightly lower against all main currencies on Friday, compared with its value at the close of business on Thursday. Its rate against the dollar at the London close was \$1.3175, 3.5 cents

lower than a week earlier. In New York it lost a little further ground to close at \$1.3165.

The British authorities are reconciled to some fall in the pound's value against the dollar provided that broadly reflects the U.S. currency's strength, rather than any special weakness in sterling. The dollar is now at a record high against a basket of currencies of the U.S.'s leading trading partners.

However, last week, sterling lost 1.5 per cent of its value against a trade-weighted basket of currencies, with a steep fall against the D-Mark early on Friday.

It was that sharp fall against the West German currency, suggestive of an old-fashioned "run on sterling," that persuaded the author-

Continued on Page 20 Currencies, Page 34

## Pressure on stocks in HK as rates rise

BY DAVID DODWELL IN HONG KONG

THE Hong Kong stock market was last night bracing itself for possible big falls in share prices this morning as the markets came to terms with emergency measures taken by the colony's banking authorities over the weekend to prevent a collapse of the local currency.

When prime lending rates were raised by a record 3 1/2 per cent over the weekend, to 17 per cent, in an attempt to shore up confidence in the Hong Kong dollar in the face of relentless selling pressure from Europe, the stock markets had already closed for the weekend.

The weakness of the currency was almost entirely due to the strength of the U.S. dollar against currencies worldwide.

But when the stock markets open today, they have to cope with additional political worries linked with Chinese calls for a working group to oversee Hong Kong's transition to Chinese sovereignty in 1997.

British negotiators fear that such a body would put the Hong Kong Government in an invidious position and might give China effective control over the colony long before 1997.

Despite British Foreign Office refusal to comment on the matter, it

has now become clear that the recall to London last week of Sir Edward Youde, Hong Kong's Governor, and Sir Richard Evans, Britain's ambassador to Peking, was for urgent talks on this Chinese demand.

Stock market operators were in no doubt yesterday about the general response to the weekend's political and interest rate news. The stock market, already battered by weeks of bad news, could expect new and substantial falls. The Hang Seng Index stood at 822.86 at the end of trading on Friday, more than 120 points below its level two weeks ago, and 350 points below the 1984 high, set in March.

Sir Edward Youde was briefed on the financial developments on his return to the colony on Saturday. He refused to comment on the London talks, but spent the weekend preparing to brief members of Hong Kong's executive council on the outcome. He was also preparing for the 18th round of secret Sino-British talks in Peking on the future of the territory, which begin on Wednesday.

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## OVERSEAS NEWS

### Paris shaves interest rates against trend

BY DAVID MARSH IN PARIS

THE FRENCH Government has given a strong signal of a modest possible cut in interest rates on bank loans, in spite of the round of credit tightening measures in the U.S. and Europe over the past fortnight.

The Bank of France last week, bucking the trend of interest rate increases decided in West Germany and Britain on Thursday and Friday brought a further 0.25 percentage points down by its day-to-day intervention rate on the French money market which now stands at 11.25 per cent, down a full percentage point from the start of the year.

This is likely eventually to prod the big, mainly state-controlled, commercial banks into reducing their base lending rates, which have been held at 12.25 per cent since the beginning of last year.

The timing of any base rate cut is still uncertain, and will depend crucially on the performance on the foreign exchanges of the French franc, which in recent months has been holding up much better than expected against the D-mark and other key European currencies.

However, the Government is likely to welcome an early move to cut interest rates as part of general attempts to speed up investment-led recovery. Leading ministers, in a series of moves co-ordinated by M. Pierre Mauroy, the Prime Minister, are embroiled in working out spending cuts for the 1985 budget in order to allow room for promised tax reductions for companies and individuals next year.

President Francois Mitterrand confirmed at the weekend that *taxe professionnelle*, a busi-

ness tax paid to local authorities, based mainly on the level of a company's wage bill, will be reduced by at least FFfr 10bn (\$873m) next year, though this stops a long way short of the complete abolition demanded by business leaders and some presidential advisers.

The Paris Government has modest leeway to bring down domestic credit costs mainly because of the steadiness of the franc. Although like other European currencies, it reached a record low against the dollar last week, the franc has been firm against the D-mark and sterling, partly profiting from the relative calm in French industrial relations compared with the labour unrest in recent weeks in West Germany and Britain.

Whatever the controversy in France, the foreign exchanges seem to have been impressed

by the French Government's refusal to bail out Crouzet Loire, the heavy engineering group forced into bankruptcy at the end of last month. In a series of speeches during a tour of central France at the end of last week, M. Mitterrand went out of his way to confirm that the tough anti-inflationary policy would remain in place in spite of mounting unemployment.

The continuing reduction of French inflation is also helping to support the currency. This year-on-year increase in consumer prices for May was 7.8 per cent compared with 8.3 per cent for last year. Although the Government's earlier proclaimed target of a 5 per cent inflation rate for the end of this year will not be achieved, M. Mitterrand last week claimed that the 5 per cent goal was "in sight".

### Michael Donne and David Marsh examine prospects for the Euro fighter

## France pushes for leadership

THE Defence ministers of the UK, France, West Germany, Italy and Spain are due in Madrid to try to settle the next stage in the development of a Eurofighter for the early 1990s, conscious that little progress has been made in recent weeks in settling outstanding differences on a wide range of issues.

These include such questions as project leadership; industrial work-sharing; the size and type of fighter to be developed; and the type of engine to be used.

The primary need for such a fighter stems from the fact that existing types, such as the Jaguars in the RAF and French air force, and Phantoms in the Luftwaffe, are ageing, and will need to be replaced by the early 1990s.

There have been several attempts over recent years to reach agreement on a new aircraft—of which eventually as many as 800 or more will be needed, with exports additional worth anything upwards of \$15bn (£11bn) in sales—but all have foundered because of inability among the partners to agree on the fundamental characteristics of the aircraft and, more significantly, who does what in the development and production phases.

The main differences at present are between the British and French aerospace industries, both of whom have conducted detailed studies into such an aircraft, and who are now each developing their own separate "demonstrators"—the current way of talking about a "prototype".

The British are developing with private and Government money the Experimental Aircraft Programme (EAP), while the French are developing the

Avion de Combat Experimental (ACE).

While the message coming from both the British and French Defence Ministries is that the differences of view have been exaggerated (the two Ministers are said to be on Christian-name terms), there is little doubt that in the aerospace industries the differences are real and substantial.

The French industry, through the doughty Mr Benno-Claude Vallieres, 73-year-old chairman of the State controlled Dassault-Breguet military aircraft group, has made it clear that, while the French Defence Ministry claims there will be "no

and they would prefer to see a lighter, ground-attack type of aircraft whereas the UK and West Germany would prefer a heavier, air-superiority type.

On all these issues, the differences with the UK in particular are deep, and apparently (in the industry's view) unbridgeable. Privately, UK aerospace industry chiefs argue that, because this is likely to be the last major fighter aircraft to be developed in Europe this century, there can be no giving way to any of the French demands.

What the UK wants to see is a true partnership, with the UK, France and West Germany

**The difference between Britain and France over development of a common European fighter aircraft for the 1990s may be unbridgeable, according to UK industry officials. Today's meeting, however, might lead to progress.**

victories and no vanquished" in the five-nation tussle, France will go ahead anyway with its own aircraft if there is no agreement in Madrid.

For its own part, the UK Defence Ministry says nothing about talks in London last week between Mr Michael Heseltine, UK Defence Minister, and M. Hernu, the French Defence Minister, which followed abortive talks in Paris two weeks ago in a bid to settle the problems.

The French, according to UK sources, want leadership of the venture. They also want the major design centre to be based in Paris; the engine to be the French Snecma M-88 and not a derivative of the UK-West German-Italian Panavia RB-199;

having, say, 25 per cent each, the Italians 15 per cent and the Spanish industry 10 per cent, or some other distribution that prevents any one nation from dominating the programme.

France is pushing for technical leadership because of its previous experience in making Delta-winged fighters. As M. Vallieres puts it: "If Europe had chosen to build a vertical take-off aircraft, it would be logical that Britain should have the lead role."

France is also unhappy about the idea of building a central design team around the British, West German-Italian Panavia combine set up to build the Tornado multi-role combat aircraft, which it believes led to unsatisfactory results in terms of cost efficiency and overall

planning—criticisms the Panavia combine rejects.

Both the French Government and Dassault-Breguet underline that the lesson of the Tornado experience was the danger of building a European aircraft in too many versions.

France is pushing for a completely new engine for the Eurofighter, to be built preferably by the French Snecma aero-engine group. The view in Paris is that the RB-199 proposed by Britain would both be too old by 1985 and would also be too heavy for the 9 to 9.5 tonnes aircraft which the French would prefer. "It is no use having an advanced airframe, radar and so on if the motor is old," says M. Vallieres.

French Defence Ministry officials, however, say there is no truth in the suggestion that France is pushing for a 46 per cent-plus share in the overall project.

The French Government believes that work-sharing should be decided on the basis of the orders of the five nations' air forces.

The indications currently circulating in Paris are 350 for France (plus another 80 for the French Navy's carrier-borne force), around 200 each for the UK and West Germany, and 100 each for Italy and Spain.

In the meantime, the UK is pushing ahead strongly with its own "demonstrator" aircraft, which will fly on schedule in 1986.

At Monday's meeting, much will depend on the attitudes of the West German, Italian and Spanish Governments and industries. So far, they have been sitting very much on the sidelines, but they have privately been just as unhappy as the British industry as to the French demands.

New Issue

This announcement appears as a matter of record only.

July 4, 1984



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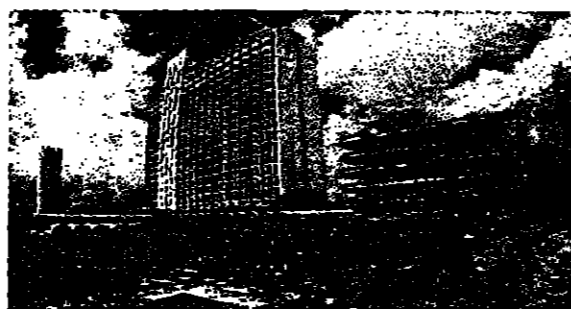


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## S. Africa raises key interest rate

SOUTH AFRICA, the world's major gold producer, is bracing itself for an economic squeeze that could be ahead unless bullion prices pick up soon from last week's slump in the world price.

The Reserve Bank announced at the weekend that it was raising a key interest rate by a quarter of 1 percentage point from today and economists predicted that bank lending rates could rise by 1 percentage point from current record levels as early as this week.

A number of Reserve Bank rates are affected by the announcement. Two of the main ones, Treasury Bills and Bankers' Acceptances, have been increased to 18.25 and 18.75 per cent respectively.

Gold dropped to below \$348 an ounce in New York on Friday from almost \$378 just a week earlier. It picked up slightly to \$345 when world markets closed for the weekend in the Far East.

Mr Owen Horwood, Finance Minister, and Mr Gerhard de Kock, Reserve Bank governor, said in a statement that South Africa, which produces about half the world's gold, would have to tighten its belt if the price did not recover significantly in the months ahead.

But they added that gold's decline could be temporary and what mattered to the South African economy was the average price over a period of weeks or months.

South Africa generates about half its foreign exchange earnings from bullion and loses \$20m in revenue a year for each \$100 decline in the price of gold.

Some bankers forecast that the bank's prime lending rate, currently 21 per cent, could reach an unprecedented 22 per cent this week as the Government tried to curb domestic demand and prevent the nation living beyond its reduced means. Reuter

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OVERSEAS NEWS

Beirut crossings blocked by kidnap protests

BY TONY WALKER IN BEIRUT

PROTESTS by families of those kidnapped during Beirut's sectarian violence are holding up efforts to reunify the city and threatening the implementation of a Syrian-backed three-stage plan to bring peace to Lebanon. The protesters, who are demanding the return of hostages held by rival militias, are preventing the reopening of most of the crossings on the "Green Line" the confection zone between West and Christian East Beirut. These protesting the continued detention of hostages set up barricades and burned tyres at crossings on the "Green Line" that were meant to open at daybreak. There is concern here that continuing protests may also set back the opening today of Beirut's airport closed since February. An army communique announced at the weekend that the airport would open today. Cabinet Ministers and representatives of rival Christian and Moslem militias met representatives of the protesters at the weekend to set a time for the release of hostages. But apparently the undertakings given failed to satisfy those whose relatives have disappeared in Lebanon's more than nine years of faction fighting. Rival militias report holding several hundred people, but that leaves many more, perhaps several thousand, unaccounted for. There is fear in the new Lebanese Government of "National Unity" that when it becomes apparent that many people have simply "disappeared" it will start bigger and more disruptive protests from those now calling for the release of kidnap victims. The kidnappings and counter-kidnappings of Christians and Moslems during the fighting is a most unpleasant feature of Lebanon's sectarian conflict and one that is certain to cause lingering bitterness between various Lebanese factions. The suspicion is that hundreds of hostages have simply died or been killed in captivity. In all, three crossings were to have been opened yesterday, on the Green Line, one in the south near the port and the others in the north taking to four the access points across Beirut's confrontation zone. There was some traffic allowed through yesterday at the crossing near the port but at other points on the Green Line cars and trucks were banked up for hundreds of metres waiting for the roads to clear. The reunification of Beirut for the first time since February was to have been an important symbolic move and a key element of the peace plan.

Asean to discuss conflict in Kampuchea

By Chris Sherwell in Jakarta

THE KAMPUCHEAN conflict and prospects for wider Pacific co-operation are expected to dominate the two-day meeting of foreign ministers of the six member states of the Association of South-east Asian Nations (Asean) which begins today in Jakarta. The meeting is the annual diplomatic highlight for the pro-Western grouping which embraces Thailand, Indonesia, the Philippines, Malaysia, Singapore and new member Brunei. It will be followed by ministerial level meetings with Asean's main partners, the EEC, the U.S., Canada, Japan, Australia and New Zealand. Representing the U.S. will be Mr George Shultz, the Secretary of State, who is scheduled to visit Malaysia and Singapore before coming to Jakarta and will then go on to Australia and New Zealand for an important meeting of the ANZUS (defence pact) council in Wellington on July 15 to 17. This will be Mr Shultz's fourth trip in 14 months and underlines the increasing U.S. interest in Pacific basin affairs as expressed at the time of President Ronald Reagan's visits to Japan and China during the past year. A development which reflects this shift of thinking is the Asean foreign ministers decision for the first time to hold a separate dialogue session with the U.S., Canada, Japan, Australia and New Zealand. The idea is to promote Pacific co-operation, which could develop at the expense of the European countries face with immigrant workers. Singapore has said it will cancel the work permits of foreign workers who marry Singapore citizens without official approval. AP reports Despite an earlier government warning, 2,929 people married Singapore women in 1983, compared with 1,448 in 1980 and 318 in 1976, the Ministry of Labor said. Allowing foreign unskilled workers to sink roots without contributing to the long-term economic development of Singapore, "Would be to invite serious problems such as those faced by European countries."

Stewart Fleming in Washington analyses the World Bank Development Report Developed countries must share the blame

ON THE face of it, next month's Republican Party presidential nominating convention in Dallas is an event which should have absolutely no connection with the threat to the world's economic and political stability posed by the population explosion in developing countries. But a position paper circulating in the White House has set the nerves of demographers jangling and has sparked a bureaucratic battle in Washington between the State Department and the Agency for International Development, on the one hand, and a core of White House officials, on the other. The position paper recommends an abrupt shift in U.S. policy towards the world's population problems, one which population analysts, such as Mr Peter Willson of the Alan Guttmacher Institute in Washington, fear could lead to a drastic cut in the volume of funds which the U.S. is currently providing to promote efforts to control population growth around the world. According to Mr Willson, the U.S. currently provides around half the \$500m which donor countries give for projects to curb population growth. A shift in U.S. policy, such as the one he sees buried between the lines of the White House paper, could, he suggests, cut U.S. funding in half. Mr Willson is not alone in his concerns. Mr Rafael M. Sales, executive director of the United Nations Fund for Population Activities, who has been named secretary general of the forthcoming World Population Conference in Mexico City, has warned of a concerted attack on the overall usefulness of international population assistance by groups in the U.S. who have proposed that the U.S. withhold aid to international organizations that practise or advocate abortions. "This attack," he says, "poisons the atmosphere for effective population programmes." Officials at the World Bank in Washington are also fingering their collars nervously. This week, the World Bank releases its World Development Report for 1984, the bulk of which is taken up with a detailed analysis of the population explosion. The thrust of the report is also at odds with the views of the officials who prepared the White House position paper. What all this has to do with the Republican Party convention in Dallas is quickly explained. The convention takes place in the third week in August, the population conference in Mexico at the beginning of the month. It is widely suspected that one reason why some White House officials are pressing for a shift in U.S. policy on population control is that they do not want to be vulnerable to criticism at the convention from the anti-abortion lobby. The lobby has supported President Reagan but does not feel it has won the big victories it has hoped for in return for this support. Although Federal Government funding for abortion has been virtually eliminated and for family planning sharply cut, the Supreme Court decision of 1973 legalising abortion still stands. The proposed position paper for the Mexico meeting, written in the White House, while rejecting the idea that population growth should simply be ignored points to differences "in the choice of strategies and methods" for attaining global population equilibrium. It describes population growth as "a natural phenomenon," saying that whether it is good or bad depends on economic and social constraints. "The relationship between population growth and economic development is not a negative one," it maintains. It points out that rapid population growth in the U.S. stimulated economic growth. It describes rapid population growth in the Third World as "a success," reflecting "the spread of Western ideals" in fields such as medicine. It blames the failure of "planners and public officials" for the problems presented by rapid population growth. "Economic statism," it says, prevented the birth rate in the developing world from falling naturally as it did in the industrial world, with increased affluence. Instead of population control, the paper advocates free enterprise economics to help developing countries grow out of their problems and it "rejects compulsion or coercion in family planning programmes." This is an analysis of the issues which clashes with the views expressed by the State Department in its proposed position paper at the Mexico conference and also with the detailed analysis in the World Bank's World Development Report, and an article published in the summer issue of

Israel beset by wage disputes ahead of poll

BY DAVID LENNON IN TEL AVIV

THE eve-of-election labour problems which have been plaguing the Israeli economy for the past few weeks spread to the country's main air and seaports this week and disrupted bank services. Haifa Port was closed for several hours yesterday by striking seamen, and flights in and from Ben Gurion airport are expected to be disrupted today and tomorrow after customs officers decided to work to rule. All branches of the Israel Discount Bank, the country's third largest bank, were closed yesterday by a 24-hour warning strike. Staff are upset by what they described as management's "intransigence" over wage demands. The normally difficult period when the new annual wage agreements are negotiated has been made much more severe because of the forthcoming parliamentary elections. Most Israelis expect tough new measures to be taken by the Government after the July 23 poll, and are pressing for all they can get. No sooner has one strike been settled than another has started.

Shultz confirms U.S. will attend Vienna talks

BY STEWART FLEMING IN WASHINGTON

THE U.S. and the Soviet Union continued their efforts over the weekend to wrest the maximum possible propaganda advantage from Soviet proposals to hold talks in September about space weapons. However it remains unclear whether the diplomatic manoeuvres are leading the two super powers closer to talks or represent efforts on both sides to embarrass the other and ensure that the rival is saddled with the responsibility if talks do not ultimately take place. On a Far East trip, Mr George Shultz, Secretary of State, repeated Washington's public policy line that the U.S. does indeed want talks on measures to curb the military use of space to take place. The Soviet Union has rejected as a pre-condition the U.S. statement that it intends to raise the missile issue at the talks. In his remarks, Mr Shultz sought to refute suggestions that the Reagan Administration is not really interested in an agreement on limiting the developing of anti-satellite weapons and he confirmed again that the U.S. would go to the Vienna talks in September. War in space, Page 19

Argentina, IMF 'some way from understanding'

ORVIETO, Italy — Argentina and the International Monetary Fund (IMF) are still some way from an understanding on Argentina's \$43.6bn international debt problem and the need for corrective policies, Sr Bernardo Grinspun, the Argentine Economics Minister, said here today. He was speaking after informal talks with M Jacques de Larosiere, the IMF director general, during a two-day development and aid conference. Sr Grinspun told reporters he was optimistic an agreement with the IMF would finally be reached.

Harmony in VAT collection system sought by EEC

BY PAUL CHEESRIGHT IN BRUSSELS

FINANCE MINISTERS of the European Community have their last chance today to agree on a measure of tax harmonisation which would have a significant effect on the creation of a genuine common market among the Ten. The measure, which concerns the collection of value-added tax on imported goods, will be discussed at the first meeting of Finance Ministers since the Fontainebleau summit last month when Community leaders sought to create new impetus for economic integration. The European Commission has proposed that EEC states should emulate the UK and collect VAT on imported goods at the point of destination and not, as is the general practice, at the frontier. But in his budget last March, Mr Nigel Lawson, the British Chancellor of the Exchequer, said the UK would adopt the general practice in October unless the Commission proposal is accepted. Once the UK falls in line, it is accepted, the Commission proposal is dead and buried. Agreement with the Commission now seems unlikely, the new Fontainebleau spirit notwithstanding.

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WORLD TRADE NEWS

### Australia and China agree talks on trade arbitration procedure

BY MARK BAKER IN PEKING

AUSTRALIA may become the first country to agree with China on a model arbitration clause to cover private trade and investment contracts. The move, if successful, is expected to quicken and make easier the expansion of commercial links between the two countries taking place at present.

China agreed to begin talks on drafting a "model clause" at meetings in Peking last week with Senator Gareth Evans, the Australian attorney-general. Senator Evans said that while the Chinese were sensitive on the issue of commercial disputes handling, and the negotiations were likely to be complex, the decision to enter discussions was a significant development in itself.

The Chinese have agreed to work towards an inter-governmental agreement that would set out model procedures for settling disputes which would be available to all companies and government agencies for inclusion in their contracts.

Australia has proposed the use of a regional arbitration centre in Kuala Lumpur to

mediate serious disputes. At present, all traders dealing with China and companies making investments have to negotiate arbitration provisions individually with the respective Chinese authorities.

About half the foreign companies who have signed contracts with China in recent years are believed to have incorporated provisions for third country arbitration, usually in Sweden, Britain or Switzerland. But China is still believed to be sensitive about agreeing to outside adjudication of disputes and there are said to be frequent arguments over the rules and procedures for such settlements.

Australian trade department officials deny that the move for a model clause is prompted by disquiet among Australian companies, but several companies are known to have complained of the Chinese over-riding serious disputes.

"What this is all about is trying to anticipate disputes that might arise in the future and create some mechanism to solve substantial disagreements," Senator Evans said.

### Labour leads in NZ opinion poll

WELLINGTON—With a week left to general elections, the opposition New Zealand Labour Party had a commanding 12 per cent lead over the Government in a national opinion poll published over the weekend.

The poll, conducted for the New Zealand Herald newspaper, gave Labour 48 per cent to the governing National Party's 36 per cent. An earlier poll by another group showed Labour with a 7 per cent lead. If the poll is accurate about

next Saturday's election, Labor would win a 23-seat majority in the 95-seat Parliament, according to the newspaper.

The poll was taken between June 23 and 26, a week after Prime Minister Robert Muldoon called a snap election after losing his one-seat majority in Parliament by the defection of a party member. It showed the biggest lead for Labor over the National Party in an opinion poll since 1973.

### World Economic Indicators

	RETAIL PRICES (1975=100)				% change over previous year
	May '84	April '84	March '84	May '83	
W. Germany	143.5	143.4	143.1	139.4	2.9
France	243.4	242.1	242.0	224.0	7.7
Italy	379.0	374.0	373.3	340.1	11.4
Netherlands	161.5	161.8	161.0	156.1	3.7
Belgium	181.5	181.1	179.9	169.3	7.2
UK	220.4	225.4	226.0	247.7	5.1
U.S.	197.1	195.0	194.1	184.2	4.2
Japan	154.0	153.4	153.0	151.2	1.7

Source: Eurostat

### Abu Dhabi orders pipeline study

By Angela Dixon in Abu Dhabi

THE BOARD of the Abu Dhabi National Oil Company (Adnoc) has commissioned a detailed study from Bechtel of the U.S. for a pipeline leading from the onshore Habshan field in Abu Dhabi to Fujairah.

Fujairah is one of two of the United Arab Emirates with a coast on the Gulf of Oman (Indian Ocean) side of the Strait of Hormuz.

The brief is for a 48-inch diameter pipeline and has been budgeted at \$500m.

Senior Bechtel officials have been in Abu Dhabi for three weeks to confer with Adnoc on the study.

Several engineering companies, including Bechtel, have in the past submitted feasibility studies on a pipeline from Abu Dhabi to the east coast of the Emirates. Bechtel's previous study would have taken four years to complete, while the present proposal is to complete a pipeline in less than two years.

Local construction groups are already showing an interest in the pipeline and some of them have had experience in pipeline construction. A network to carry gas from Sharjah to utilities and industries in the northern Emirates, including Fujairah, is now nearing completion.

The Habshan field, which produces Murban crude, is Abu Dhabi's major onshore field. Present exports leave from the leading terminal at Jebel Dhanna, about 150 miles (240 km) closer to Qatar than Abu Dhabi city.

### Chinese technology for North Africa

CHINA will provide technology to help to build a railway in Libya and a reservoir in Tunisia but will not help to fund the projects, vice premier Li Peng said yesterday.

Li, who toured North Africa in May, said: "China is willing to provide as much aid as it can afford, but the emphasis will be shifted to projects which need less investment, produce immediate gains and return more practical results."

His comments appeared in an interview in the official English-language weekly Peking Review. AP

### Paul Cheeseright explains the apparently endless intricacies of a defence contract

## Anti-climax of Belgium's 'jeeps affair'

FREDDY VREVEN is one against three. The Belgian Defence Minister has long wanted his army to replace an ageing fleet of Land-Rovers with 2,500 four-wheel-drive vehicles from Mercedes Benz of West Germany.

But Mr Vreven has found himself in the uncomfortable position of having three cabinet colleagues in a crucial committee to supervise defence purchases who want to buy the vehicles from Bombardier in Canada. Bombardier makes the Volkswagen Iltis under licence.

For a year now the issue has been tossed back and forth, making the decision-making process sluggish even by the standards of Belgium with its constant need to reconcile claims from the disputatious communities of Flanders, Wallonia and Brussels.

Periodically what is dubbed "the jeeps affair" comes to another anti-climax. This week-end there has been another. It is freely believed that Mr

Wilfried Martens, the Prime Minister, has stepped in and told Mr Vreven to buy from Bombardier, a purchase worth some BFr 2bn (£26m).

But as ministers stopped work for the weekend, both the Prime Minister's Department and the Defence Ministry were saying the matter had not come up at the Friday cabinet meeting. "The man who has to sign is Vreven. Until he does there is no formal decision," said a spokesman.

On Friday though, the Defence Ministry confirmed that it had sent a telex to three companies asking them to extend the deadline of their offers again. Officials had lost count of how many times this had been done, but they thought that this occasion was probably the thirteenth.

The telex went not only to Mercedes and Bombardier but also to Behrman Doemoeen, the Belgian company which is the longstanding agent for the British Land Rover. And hereby hangs a tale, because

there is still a formal offer on the table to supply Land Rover to the Belgian Army.

The tale started over two years ago when the Belgian Government sought tenders. The three companies were invited to submit each two vehicles for technical trials. But even at that stage, the Army was believed to have made up its mind that it wanted Mercedes.

The weather deteriorated on trials day. Land Rover was the last to perform, engine trouble struck and mud got in the oil filter.

On the Behrman account, that was enough for the Army, which would accept no explanation and did not seem impressed with the offer of a three-year guarantee on every engine.

Still, at that stage, the Land Rover offer was the lowest—BFRs 1.7bn against the BFRs 2.3bn (£22.3m—£28.8m) for Mercedes and more again for Bombardier, it is said. Mer-

cedes seemed the main competitor for Land Rover.

But, claimed Behrman, the Land Rover was the only vehicle which actually fully met the technical specifications laid down by the Army. It had, for example, a manual throttle—which is what the Army wanted—while the Mercedes throttle was automatic.

At any rate, the technical reports favoured Mercedes. A committee to co-ordinate public purchases agreed. By this time Behrman was incensed enough to be preparing legal action—an appeal to the Council of State, demanding the re-opening of the tenders.

By July 1983, Mr Vreven could have moved. But he did not.

Political sensibilities were being aroused, and he clearly felt the need for more support. The offer race had begun—how much local manufacturing the rival companies would be prepared to undertake, how much they would buy from Belgium

if Belgium bought from them. With Land Rover effectively out of the running, Mercedes was pitted against Bombardier, which began to score heavily against Mercedes because of its offset proposals.

Mr Vreven's colleagues favour Bombardier not so much because of the Iltis as such, but because it is prepared to offer offset three times more than the purchase price and in a way which attracts the two French-speaking members of the committee.

The offset is said to include the chance for Fabrique Nationale Herstal to provide weapons for the Canadian Army and for La Brugeoise et Nivelles and ACEC to help Bombardier make metro carriages for a New York contract. La Brugeoise et Nivelles is already doing work for Bombardier on a Portland, Oregon, contract.

Meanwhile the Army is now said to care less about Mercedes. It just wants any new four-wheeled drive vehicle it can get.

### U.S. to buy Hope electric cars

BY HILARY SARNES IN COPENHAGEN

HOPE MOTOR Company in Hadsund, North Jutland, has signed a \$750m contract to deliver 226,000 electrically-driven cars to an American trading company over a 10-year period.

Hope announced its plans to manufacture the car, the Hope Whisper, last year. Production of the first vehicles began on June 18.

The car was developed entirely by the Hadsund company, a small privately-owned company whose main business

with a recently established company in Miami named Lectra-Matic Automobile Company.

The contract is for delivery of 8,000 cars in both 1985 and 1986, rising by 5,000 a year to 45,000 in 1995. Hope says the value of the contract is at least Dkr 7.5bn (\$750m) and could be as high as Dkr 10bn.

Hope has so far sold 500 cars to Switzerland and 200 to Ghana, where it has also agreed to set up an assembly plant for the car.

The new contract was signed

until now has been the manufacture of computers and equipment for the printing industry.

The company is controlled by its founder, Mr Thure Barse Carlsfeldt.

The car has a range of 100 km between battery recharges, a speed of 70-80 km per hour and is cheap to run. Hope claims the cost per kilometre is about 11 ore (about 1 cent). The price of the car in Denmark will be Dkr 58,000 (\$5,800).

### Tanker owners remain extremely cautious in Gulf

BY OUR INDUSTRIAL STAFF

TANKER OWNERS doing business in the Gulf last week, particularly with VLCCs (very large crude carriers) were given a brief respite from attacks by warring Iraqi or Iranian aircraft.

One ship, having loaded at Ras Tanurah in Saudi Arabia, was attacked, however. Although it was not badly damaged, it seems likely that owners will continue to view the northern Gulf with extreme caution given the outbreak of attacks at the end of June after an earlier lull.

Brokers report that owners are, in any case, tending to hold their ships to the more southerly Gulf ports.

Shell, which has 270,000 tonnes of crude to move from Ras Al Khafji and Ras Tanurah, further south, to Singapore, apparently got a good response from owners, with quotes just over Worldscale 40—some 55 to 60 points lower than owners had been quoting to move a cargo from Iran's Kharg Island terminal.

There are, in fact, signs that charterers are being more aggressive with owners and their position is being streng-

thened by the notion that without the problems in the Gulf, rates for VLCCs and smaller ships would be very poor.

The Greek Merchant Marine Ministry revealed on Friday that the country's merchant fleet shrank by about 10 per cent between May 1983 and May 1984. The Greek fleet totalled 3,124 ships, weighing 35m GRT at the beginning of last May, compared to 38.7m GRT a year earlier.

The number of Greek-owned ships flying foreign flags also declined to 365 (6.7m GRT) at the beginning of May, from 427 vessels (7.5m GRT) a year earlier.

### OECD export financing rates to rise

BY NANCY DUNNE IN WASHINGTON

EXPORT financing rates charged by members of the Organisation of Economic Co-operation and Development (OECD) will increase by 1.20 per cent on July 15, the U.S. Export-Import Bank has announced.

Under their international arrangement, OECD members review the weighted average interest rate each January, but were left unchanged because the weighted average interest rate on Government bonds

Japanese yen.

During June, the weighted average was 11.30 per cent, 1.20 per cent above the May 1983 benchmark rate of 10.10 per cent that was used to set the minimum export credit rates in October, 1983.

An automatic adjustment is triggered with a change of 0.5 per cent or more. The rates were reviewed last January, but were left unchanged because the weighted average interest rate on Government bonds

during December was 10.5 per cent, or 0.4 per cent above the May 1983 benchmark.

Eximbank officials, who have sought to phase out subsidised financing, said that on June 1, the bank's borrowing rate was 13.7 per cent.

The bank will, however, maintain lending rates at the lowest level permitted by the OECD international arrangement.

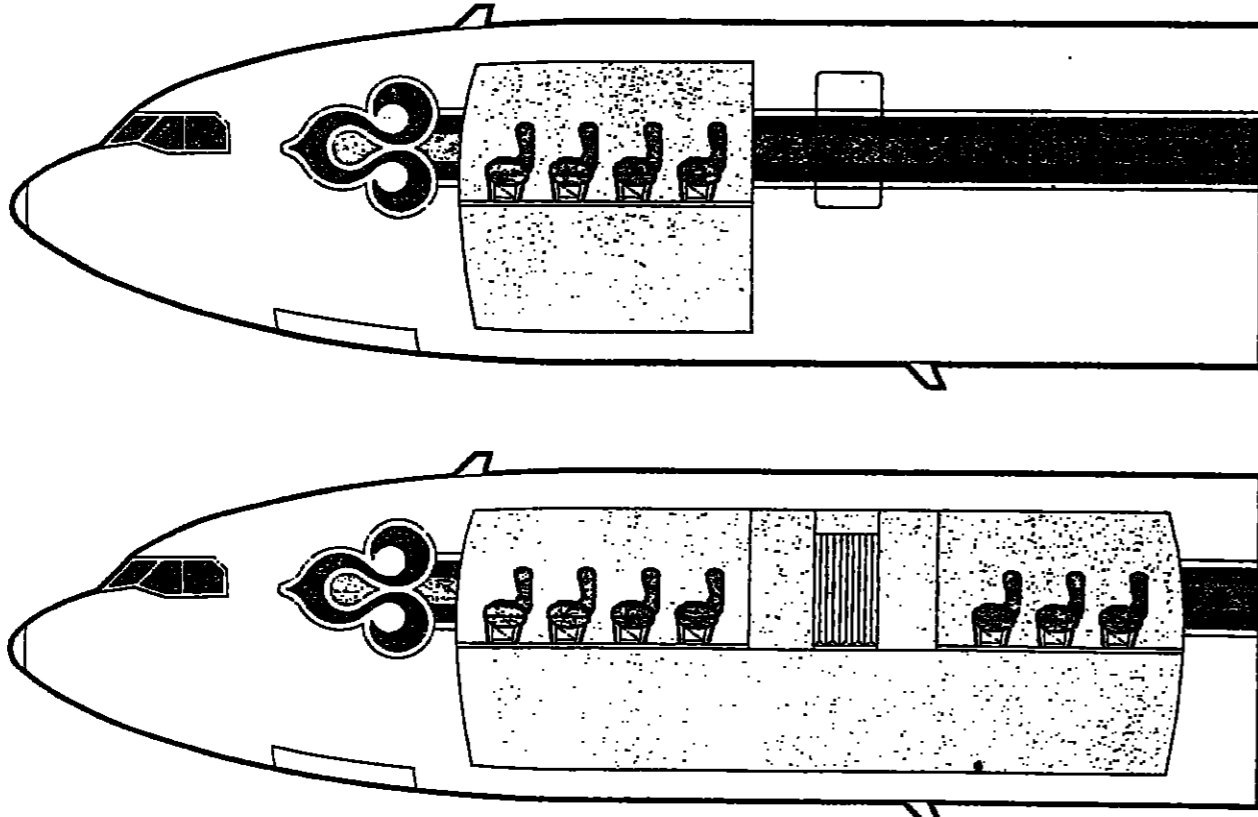
Loans supporting exports to the world's poorest countries will be made at 10.7 per cent.

### Cyprus dam contract

The Italian company Impregilo S.P.A. and the Cypriot contractors Joannou and Paraskevaides have won the contract for the biggest dam ever to be constructed in Cyprus at a cost of nearly C\$20m (\$34m). The dam, on Kouris River, near Limassol on the south of the island, will form an important part of the ambitious water and irrigation scheme known as the Southern Conveyor Project designed to meet the water supply needs of many towns and villages.

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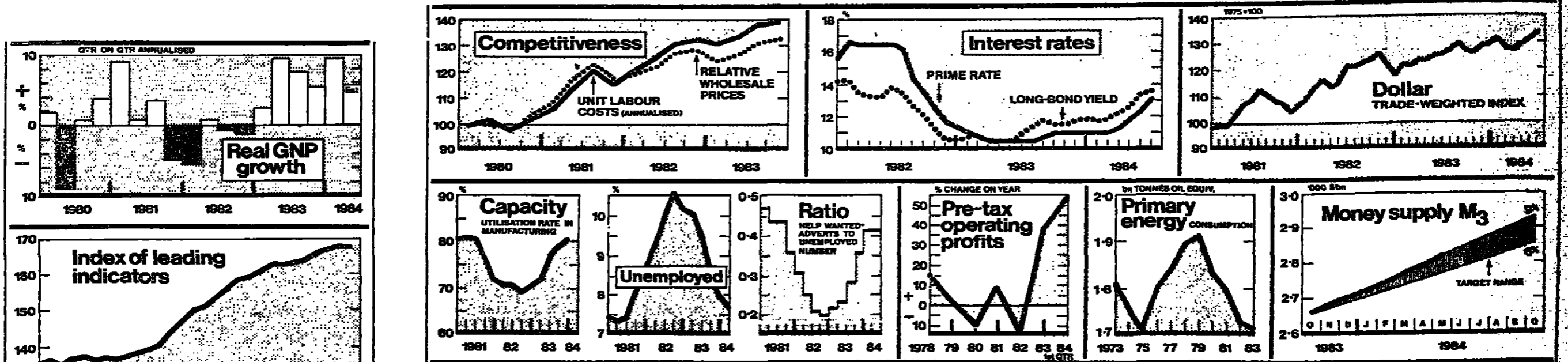
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# STATISTICAL TRENDS: U.S.



## Interest rate outlook holds key

THE unexpectedly high estimate for growth in U.S. gross national product in the second quarter of this year has underlined other indicators which suggested that the economy there is still expanding strongly. Investment, inventories and final sales of business all tell the same story, while the unemployment rate is continuing to fall and the rate of capacity use in

manufacturing is rising. The index of leading indicators registered a fall in March, appearing to indicate a slowing in growth, but following two revisions the data now show an increase. The May figure has initially also shown a slight decline, but the trend is by no means clear. One of the most noticeable features of the recovery has been the very sharp rise in

corporate profits in 1983, which is continuing into this year. Monetary growth remains strong, though down on the rates of growth last year.

The fear that very high real interest rates would act to choke off the recovery has been replaced by the fear that the recovery is proceeding too quickly, bringing with it the danger in the short term of a further rise in interest rates, and in the longer term a resurgence of inflation. Higher interest rates are of concern not merely because of the effect on the American economy but because of their global effect, not only in terms of the European recovery but also affecting the ability of the debtor countries to service their debts.

As far as inflation is concerned—while the figures do not yet show such a resurgence—capacity bottleneck, higher raw material

prices and the prospect of bigger wage deals are all factors which may feed through into higher prices.

The continuing high level of interest rates appears to be the result not only of the federal budget deficit but of the demand for credit from the private sector combined with public sector demand. It was credit demand from the private sector which accelerated in the second half of 1983, while that from the public sector fell back. Nevertheless, public sector demand remained high compared with the levels experienced in previous recovery phases of the economy.

Net private saving—the sum of personal saving and undistributed corporate profits—moved down from a level double the deficit in 1980 to being equivalent to it in 1983. Foreign capital inflows have filled the gap between the pool of U.S. savings, and the financing of the budget deficit and the soaring current account deficit. Such inflows require higher and higher returns, in the form of high interest rates and other incentives.

While increases in wages and unit labour costs have been modest, the strength of the dollar has been the major factor in the decline in U.S.

competitiveness. The record deficits on the merchandise trade account, and the unprecedented levels of the current account imbalance—forecast at around \$50bn this year—result not only from the exchange rate, but also from the fast pace of the U.S. recovery compared with that in the rest of the industrialised countries. In addition, the debt crisis in Latin America has reduced U.S. export markets there.

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts by Financial Times Design Department

### Prices

Annual % change	Producer prices	Consumer prices
1st/81	10.36	11.21
2nd/81	10.79	9.82
3rd/81	8.22	10.85
4th/81	7.16	9.57
1st/82	5.49	7.88
2nd/82	3.30	4.83
3rd/82	3.24	5.78
4th/82	3.60	4.47
1st/83	2.24	3.80
2nd/83	2.11	3.32
3rd/83	1.42	2.80
4th/83	0.85	3.29
1st/84	2.36	4.47
2nd/84†	2.77	4.37

† April and May.

### Real Interest Rates

Short-term*	Long-term	
1979	-0.1	-1.2
1980	-0.4	-2.0
1981	5.9	3.6
1982	6.1	6.8
1983	5.9	7.9
1984	5.3	7.6
Jan	5.0	7.3
Feb	5.4	7.6
April	5.9	8.1
May	6.9	9.2
June (estimate)	7.3	8.1

\* 3 month CDS. † 10 year Treasury yield.

### Balance of Payments US\$m

	Trade Balance	Current Account Balance
1972	+811	+7,138
1974	-6,206	+2,280
1975	-8,800	+18,277
1976	-9,483	+4,208
1977	-11,081	-14,814
1978	-22,586	-15,447
1979	-27,585	-367
1980	-35,912	+1,897
1981	-28,021	+4,232
1982	-38,469	-8,198
1983	-61,055	-41,582
1984*		-80,000

\* Forecast.

### Federal government Expenditure and Revenue

	Expenditure	Revenue
1979	16.1	16.1
1980	17.2	17.4
1981	16.8	14.2
1982	20.2	14.9
1983	20.1	-0.9
1984	25.0	27.0
1980	9.5	15.9
1981	11.8	18.2
1982	11.8	-31.2
1983	9.0	6.6
1984	12.3	12.0
1984	-9.5	-110.5

Source: Dept of Commerce

### The Federal deficit and its financing

	% of GNP
Federal deficit	2.3
+ State and local surplus	5.4
+ Foreign capital inflow	1.2
+ Net domestic investment	4.1

Source: Simon & Coester

### Energy Consumption

	Coal	Natural gas	Petroleum	Other*
1975	17.9	29.3	46.5	7.3
1976	18.3	27.6	47.3	7.1
1977	18.1	28.1	48.7	6.9
1978	17.5	27.5	48.6	6.8
1979	19.0	28.2	47.0	7.8
1980	20.2	28.9	45.0	7.7
1981	21.4	28.9	43.2	7.4
1982	21.5	28.1	42.7	7.7
1983 (1st qtr)	22.4	28.8	42.5	10.2
1984 (1st qtr)	21.3	30.1	38.8	9.8

\* Incl. nuclear & hydroelectricity. Source: U.S. Dept of Energy

### U.S. Credit Demands

	Total	Federal govt.	State & local govt.	Private sector
1980-9	10.9	2.0	1.2	7.6
1981-2	10.3	2.2	1.1	7.0
1982-3	14.3	2.6	1.6	8.6
1983-4	15.1	3.3	1.9	7.8
1980-1	17.4	4.7	0.5	12.2
1981	18.6	7.7	1.8	9.4
1982 1st half	18.3	9.3	1.9	7.1
1983 2nd half	19.0	6.2	0.8	12.0

Source: Simon & Coester

### U.S. Balances of Trade

	1980	1983	Jan-Apr 1984
Japan	12.2	-2.3	-21.3
EEC	15.7	-1.6	-15.0
W. Germany	-1.3	-4.5	-9.1
UK	2.4	-2.3	-3.2
E. Asian NICs*	-4.1	-14.7	-10.4
All countries	-58.2	-18.9	-128.0

\* Incl. Hong Kong, S. Korea, Singapore, Taiwan. Source: Morgan Guaranty

New Issue This announcement appears as a matter of record only. June 14, 1984

## European Coal and Steel Community

DM 100,000,000  
8½% Deutsche Mark Bearer Bonds of 1984/1992  
— Private Placement —

Issue Price: 99 ¼% · Interest: 8 ½% p.a., payable annually in arrears on June 7 · Repayment: DM 14.5 million on June 7, 1989 and DM 28.5 million each on June 7, 1990 to 1992 · Denomination: DM 5,000 · Security: Negative Pledge Clause

COMMERZBANK AKTIENGESELLSCHAFT

LLOYDS BANK INTERNATIONAL LIMITED AMRO INTERNATIONAL LIMITED BANQUE BRUXELLES LAMBERT S.A.

BANQUE GENERALE DU LUXEMBOURG S.A. HAMBROS BANK LIMITED SCHWEIZERISCHE VOLKSBANK

SOCIETE GENERALE

## BREMNER p.i.c.

(General Warehousemen)

### Turnover Up and Dividend Increased

Extracts from the circulated statement of the Chairman, Mr. J. T. Bremner, for the year ended 31st January, 1984.

I am glad to report that the improvement in the general business climate gave consumers a degree of confidence which resulted in an increase in turnover (£3,905,558 against £3,801,482 in 1983) even in our particular trading area which remains difficult. Due to the continuing pressure on our margins and the annual increases in overhead costs, the trading profit was only marginally higher, whilst profit after tax was £139,953 against £121,913. The recommended final dividend of 2.0p per share together with the interim dividend of 0.05p already paid is an effective increase of 13.84% over the previous year's total dividend.

Recovery from the recession is somewhat slower and more sporadic in our area of trading compared to that experienced in other parts of the country. Accordingly trading trends to be more volatile than in the past and no discernible trend emerges in the short term: it is our intention to take the fullest advantage of those favourable factors as they present themselves.

Copies of the Report and Accounts can be obtained from: The Secretary, Bremner p.i.c., 44 Glassford Street, Glasgow G1 1UW.

BREMNER p.i.c. GLASGOW

## TOTAL Compagnie Française des Pétroles

### Compagnie Française des Pétroles in 1983 Annual Shareholders' Meeting of June 29, 1984

The Ordinary General Shareholders' Meeting of Compagnie Française des Pétroles, held on June 29, 1984 with M. Jean-Louis de Lillac, President, in the Chair, approved the accounts for 1983. All the resolutions were adopted.

In his address, the President stated that First Half results for 1984 should confirm the recovery that began in the second half of 1983. With regard to the refining and marketing sector, he emphasized the need to follow through the progress already achieved. In those countries where prices are controlled, it is particularly necessary that the application of administrative formulas should not be dictated by considerations foreign to the realities of the market in the production sector, an extremely substantial investment thrust will be made over the coming years, particularly as regards the development of the fields in the North Sea.

M. Jean-Louis de Lillac recalled that on account of his forthcoming retirement for age reasons, this was the last General Meeting he would be presiding over. A new president of Compagnie Française des Pétroles will be nominated between now and October, the fifth in the Company's history.

The brochure 'Compagnie Française des Pétroles and the Total Group in 1983' is available in English and French from Service Diffusion, 5 Rue Michel Ange, 75781 Paris Cedex 16, France.

### Highlights of 1983

- Exploration:** The exploration thrust has been redirected towards those zones and countries which combine a high probability of discovering hydrocarbons and contractual and fiscal arrangements conducive to the amortization of exploration expenditure.
- Development:** The investments set aside for the development of discoveries and the maintenance of production have remained at a high level. These mainly involved production in the North Sea, the Middle East and Indonesia, together with new production from Angola, Cameroon and France. Extracting maximum value from the new results in Argentina and Angola will largely depend on contractual and fiscal arrangements. As for China, it was recently decided to engage in preliminary development.
- Uranium:** Total continued its exploration and production operations in France, Australia, North America and Nigeria. The Group was able to cover 15% of French consumption. This figure represents 7.5 million tons of equivalent.
- Coal:** Total was involved, to differing degrees, in the production of nearly 4 million tons of coal in South Africa and the United States. In the latter country, the partnership of the Group owns 50% acquired reserves of the order of 250 million tons, with the result that production of some twelve million tons may be envisaged towards the end of the present decade.
- Research and Development:** In 1983, two new 'exploration' and 'drilling and production' research centres were inaugurated in France. In this way the Total Group is emphasizing the importance it attaches to the possession of high-performing scientific and technological tools to accompany and back up its role as operator and energy supplier in the competitive international arena.
- Results and Dividend:** CFP (Parent Company) net earnings in 1983 amounted to 426 million francs compared to 441 million francs in 1982 and earnings distributed to 427 million francs (compared to 409 million francs). The total yield per share came to 24 francs (dividend plus tax credit). Date of dividend payment: July 6, 1984.
- Appointment of a Director:** The General Meeting appointed M. Pierre Giraudet a Director of the Company for a six-year term.

### Some figures on the Group:

Resources	1982	1983
Oil (Million Tons)	44	43
Gas (Billion M3)	5.4	5.7

### Results (Consolidated, in billions of Francs)

	1982	1983
Sales	131	138.9
— in France	56	56
— Abroad	75	82.9
Cash Flow	6.4	6.1
Earnings	-1.0	0.42
Net Investments	8.2	6.8

Series 014

## U.S.\$42,000,000

Short-term guaranteed Notes issued in Series under a U.S.\$280,000,000 Note Purchase Facility by Mount Isa Mines (Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1983, carry an interest rate of 12½% per annum. The Issue Date of the above Series of Notes is 9th July, 1984, and the Maturity Date will be 9th January, 1985. The Euro-clear reference number for this Series is 4392 and the CEDEL reference number is 872827.

Manufacturers Hanover Limited  
Issue Agent

8th July, 1984

## EQUITABLE BANCORPORATION OVERSEAS FINANCE N.V.

USS\$50,000,000  
Guaranteed Senior Floating Rate Notes due 1994

For the three month period 5th July, 1984 to 5th October, 1984, the Notes will carry an interest rate of 12½% per annum with a Coupon amount of USS\$322.64 per USS\$10,000 Note, payable on 5th October, 1984.

By: Bankers Trust Company, London  
Reference Agent

## MARINE MIDLAND FINANCE N.V.

U.S.\$125,000,000 Guaranteed Floating Rate Subordinated Notes Due 1994

For the three months 6th July, 1984 to 9th October, 1984 the Notes will carry an interest rate of 12½% per annum with a coupon amount of U.S.\$33.32 per U.S.\$1,000 note and U.S.\$333.16 per U.S.\$10,000 note. The relevant interest payment date will be 9th October, 1984.

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By Bankers Trust Company  
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## SAATCHI & SAATCHI COMPANY P.L.C.

### £7,500,000 6 per cent. Convertible Unsecured Loan Stock 2015

Application has been made to the Council of The Stock Exchange for the whole of the above Stock to be admitted to the Official List.

Particulars of the Stock will be circulated in the Extel Statistical Services and copies may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 20th July, 1984 from:

County Bank Limited, 11 Old Broad Street, London EC2N 1BB  
Phillips & Drew, 120 Moorgate, London EC2M 6XP

6th July, 1984



# HOW THE MINERS ON STRIKE HAVE BEEN MISLED...

## ABOUT WHAT THE STRIKE CAN ACHIEVE.

The miners on strike are angry. And it's easy to understand why.

They are angry because of what they have been told by their leaders.

But have they been told the truth?

The sad thing is that the only result the strike can achieve is irreparable damage to the industry.

### Can the strike stop pit closures?

No – for a very simple reason.

The future of coal depends upon how much it costs to mine. The cheaper it is, the more of it we can sell, and therefore the more of it we can mine.

The more expensive it is, the more it will pile up unsold, like the 55 million tonnes at the beginning of this year.

No matter how long the strike continues, it cannot change this basic fact.

We need to replace four million tonnes of our most expensive coal with economically-mined output.

This will bring the average cost down – and allow us to sell more coal from our better pits.

Doing this is exactly what was agreed in the 1974 Plan for Coal – to replace old, uneconomic capacity with new economic capacity.

The final Tri-partite Report on the Plan for Coal said in Paragraph 27, “inevitably some pits will have to close as their useful economic reserves of coal are depleted”.

A mere 12 per cent of our capacity is now directly costing more than £275 million a year to support. This is money that should be going into modernising our other pits – as the Plan for Coal hoped it would.

That will safeguard miners' jobs, increase wages, and give Britain the coal industry it needs.

The strike cannot do that. The only thing it can achieve is the very opposite:

If it goes on long enough, the strike threatens up to 30 good pits with permanent closure.

This could not only cost miners, but also steel and railway workers jobs that should not be lost.

### Can the strike win new business?

Everyone knows it can't. It is driving away future coal customers.

It is making coal more difficult to sell.

It is threatening the future of the industry.

Britain is the only country in Western Europe that is investing so heavily in the future of coal.

The British coal industry has excellent prospects.

But not if the strike continues.

This strike – not the Coal Board – could butcher the industry.

That's why it is so important that this strike ends soon.

It was called by the miners' leaders. It now needs to be called off by the miners themselves.

# NCB

One in a series issued  
by the National Coal Board.

# The Throgmorton Trust

## Interim Results

	Six Months to 31.5.84 £000	Six Months to 31.5.83 £000	Year end 30.11.83 £000
<b>Revenue from Investments</b>			
— Dividends and Interest Received	4,216	2,729	7,076
<b>Other Revenue</b>			
— Interest and Underwriting Commission	282	56	300
— Net Profit in dealing subsidiary	52	23	55
<b>Gross Revenue</b>	<b>4,550</b>	<b>2,808</b>	<b>7,431</b>
Less: Expenses and Interest	1,379	733	2,695
<b>Net Revenue from ordinary activities before Taxation</b>	<b>2,971</b>	<b>2,075</b>	<b>4,736</b>
Less: Taxation on net revenue from ordinary activities	951	642	1,712
<b>Net Revenue from ordinary activities after Taxation</b>	<b>2,020</b>	<b>1,433</b>	<b>3,024</b>
<b>Earnings per Share</b>	<b>3.55p</b>	<b>3.30p</b>	<b>5.95p</b>
<b>Dividends</b>			
Preference shares	38	38	76
Ordinary shares			
— Interim 2.75p (1983-2.75p)	1,535	1,162	1,162
— Final — (1983-3.75p)	—	—	2,092
<b>Cost of Dividends</b>	<b>1,573</b>	<b>1,200</b>	<b>3,330</b>
<b>Net Revenue retained Brought forward</b>	<b>447</b>	<b>233</b>	<b>(306)</b>
<b>Net Revenue retained and carried forward</b>	<b>839</b>	<b>1,145</b>	<b>1,145</b>
<b>Net Asset Value per share</b>	<b>222.4p</b>	<b>200.4p</b>	<b>211.3p</b>

The figures for the six months to 31st May 1984 and 31st May 1983 are unaudited. The figures for the year to 30th November 1983 are abridged from the company's full accounts for that period which carry an unqualified auditor's report and have been filed with the Registrar of Companies.

During the accounting period ended 30th November 1983 the company issued 13,547,439 ordinary shares of 25p each and £19,118,645 12½ per cent Debenture Stock 2010 in consideration for the acquisition of the balance of the issued share capital of The Pentland Investment Trust PLC not already owned by the company. At the same time Subscription Warrants 1984/93 were issued to existing ordinary shareholders in the proportion of one warrant for every eight ordinary shares held.

The first option period for the Subscription Warrants 1984/93 took place from 5th April to 4th May 1984. During this period warrants were exercised for 16,970 ordinary shares which were duly allotted, bringing the total number of ordinary shares in issue to 55,805,837.

The Board of Directors are pleased to declare an interim dividend of 2.75p per share (1983-2.75p) payable on 29th August 1984 to ordinary shareholders on the register at the close of business on 26th July 1984, and anticipate that the total dividend for the year will not be less than that paid last year.

Throgmorton Investment Management provides pension funds and other institutional clients with skilled investment management in a number of specialised areas with particular emphasis on the small companies sector. The success of our policy of specialisation in small companies is demonstrated by the performance of The Throgmorton Trust. For further information contact Paul Loach on 01-628 9022.

## Throgmorton Investment Management

To: S.M. Grantham Esq., Throgmorton Investment Management Limited  
Royal London House, 22-25 Finsbury Square, London EC2A 1DS

Please send me a copy of the following Annual Report(s) (please tick as required)

- The Throgmorton Trust  
 The New Throgmorton Trust (1983)  
 The Throgmorton Secured Growth Trust

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## ENTE NAZIONALE PER L'ENERGIA ELETTRICA

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Convertible at the holders' option into

9½% Fixed Rate Debentures due 1995

Guaranteed by the Republic of Italy

In accordance with the provisions of the Debentures, notice is hereby given that for the six month interest period from 6th July, 1984 to 7th January, 1985 the Debentures will carry an interest rate of 13¼ per cent per annum and that the interest payable on the relevant Interest Payment Date, 7th January, 1985 against Coupon No.9 will be U.S. \$677.69.

The Bank of Tokyo, Ltd. London  
Agent Bank

## UK NEWS

# Enterprise chief presses case for rejecting RTZ

BY IAN HARGREAVES AND STEFAN WAGSTYL

MR WILLIAM BELL, the chairman of the newly-privatised Enterprise Oil, has written to his company's shareholders advising them to reject a bid by Rio Tinto-Zinc (RTZ) to increase from 14.7 to 29.8 per cent its stake in Enterprise.

Mr Bell still plans to meet Sir Alistair Frame, chief executive of the mining and minerals company, however, on Wednesday or Thursday.

They will discuss, "whether any commercial opportunities exist which can be pursued in the interests of all our shareholders."

Yesterday Enterprise was playing down the attractions of any kind of merger with RTZ Oil and Gas, the RTZ subsidiary which looks after the company's North Sea interests.

Mr Graham Hearne, Enterprise's chief executive, said the company was looking at other possible deals which might prove more attractive.

"We have several deals in prospect and we shall be holding conversations with a number of companies at a senior executive level in the next few weeks," he said.

These discussions would take some time to produce action, he said. "The deals we have to do are complex and will take time to bring to fruition."

Mr Bell's pitch to Sir Alistair when they meet this week will be that it is RTZ's best interest to allow Enterprise the maximum amount of freedom to assess these possible deals.

That, Sir Alistair will be told, would involve RTZ not insisting on a seat on the Enterprise board. This, Enterprise feels, would create hopes of conflicts of interest in an industry where secrets about oilfields are jealously guarded.

Enterprise's main hope, however, is that RTZ will be unsuccessful in its offer of up to 110p per partly paid Enterprise share, which closes tomorrow.

In bidding at this maximum price, Mr Bell's letter says, RTZ is attempting "to exploit the temporarily unsettle market conditions following the offer for sale."

"The price in no way reflects the value of the underlying assets of the company. Your board, its financial advisers and market commentators consider this to be significantly higher than RTZ's tender price." Last week, Enterprise partly paid shares traded in the 100p to 103p range.

Mr Bell says that on a fully paid basis, RTZ's tender offers a premium of a mere 5 per cent.

Referring to other potential deals open to cash-rich Enterprise, Mr Bell says: "We do not need RTZ, whose oil and gas interests are significantly smaller, to enable us to realise our potential."

The question for the City of London today is whether shareholders, many of them underwriters left unwillingly with stock at the time of the flotation, will resist RTZ's offer.

## Cautious optimism in pit talks

By David Brindle and Maurice Samuelson

TALKS BETWEEN the National Coal Board (NCB) and miners' leaders resume today in a mood of guarded optimism as the coalfield strikes enter their 18th week.

With the National Union of Mineworkers (NUM) holding a special delegates' conference in Sheffield on Wednesday and Thursday, the next 48 hours are crucial in determining whether the dispute will end soon.

Neither side has revealed any details about the present talks, which began on Thursday and adjourned on Friday. Speculation is that negotiations have centred on a new definition for an unworkable - as opposed to uneconomic - coalmine.

Two developments at the weekend indicated that the dispute still had the capacity to spill over into other sectors of the economy.

In the first the prospect of disruption of national newspapers re-emerged in the form of a letter received by some editors from Mr Arthur Scargill, the miners' president.

The letter says that £500,000 of taxpayers' money has been spent by the NCB in arguing its case in a series of newspaper advertisements. Mr Scargill seeks a right of reply and the implication is that his union could not afford to pay for the advertisements.

In the second development, dockworkers have called an emergency meeting for today to discuss a dispute at Immingham Docks over the movement of iron ore by road.

## Whitehall studies jobs code

By Our Labour Staff

THE GOVERNMENT is examining a confidential draft code of practice on sex discrimination at work.

The code requires employers to take positive action to move women into all-male areas of employment; to assist women to find work while raising children; and to bring pay

More UK news on Pages 13, 14

and conditions of part-time, mainly female workers, into line with full-time workers.

The code which has been prepared by the Equal Opportunities Commission (EOC) and is intended to be administered by it, has been awaiting Government approval since April. It is based on the 1975 sex discrimination Act and its provisions will be admissible in evidence at industrial tribunals and employment appeals tribunals.

Some of the draft code's provisions - as on part-time workers and on women returning to the labour force soon after childbearing - run against the spirit, if not the letter, of the Government's views on the need to make the labour market as flexible as possible and on the importance of the family. The EOC and its companion body the Commission for Racial Equality (which issued a code in April) are presently under Government review.



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NEW ISSUE July 5, 1984



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13.65% Debentures**

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**Price 100%**

The debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, and are issued under the authority contained in Section 304(b) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.).

This offering is made by the Federal National Mortgage Association through its Senior Vice President-Finance and Treasurer with the assistance of a nationwide Selling Group of recognized dealers in securities.

Debentures will be available in Book-Entry form only. There will be no definitive securities offered.

**John J. Mehan** Senior Vice President-Finance and Treasurer  
**Joseph G. Brown** Vice President-Fiscal Officer  
100 Wall Street, New York, N.Y. 10005

This announcement appears as a matter of record only.

# VOEST-ALPINE AG: We strike a balance

1983 Annual Report of VOEST-ALPINE AG

## A hard year for steel manufacturers

At the start of 1983 the steel industry was at the deepest point of a crisis which had persisted for several years. The upswing in the economy felt throughout the world, in particular toward the end of the year, was mainly restricted to the consumer goods industry and had hardly any noticeable impact on investment goods. This made 1983 one of the worst years for European steel makers since the economic recession of 1975, as well as for the forging, casting and machine construction sectors.

## The VOEST-ALPINE Group

Group turnover exceeds US \$ 6 billion for the first time

World-wide total sales of the VOEST-ALPINE Group in 1983 achieved a new record level of US \$ 6,622 million.

In comparison with 1982 this represented a growth of US \$ 1,583 million, or about 31 percent. After deducting the inter-group sales, consolidated group sales came to

US \$ 5,778 million, around 37 percent up on the previous year.

In 1983 about a third of Group sales were accounted for by products and services which had only been incorporated into the program during the last preceding five years. The strongest boosts to growth came from the younger sectors of the company, the trading sector, engineering/contracting and services.

Significant expansion in international trade pushed sales in this sector up by more than 100 percent over the previous year (plus US \$ 1,365 million), while a rise of about 24 percent (plus US \$ 250 million) was achieved in the engineering/contracting and services sector. This satisfying development was a clear indication of the planned introduction in previous years of measures towards an adaptation of the company structure and in particular of the successful efforts to diversify.

US \$ 222 million invested

After the successful completion in 1981 and 1982 of a number of important major restructuring projects, the companies in the VOEST-ALPINE Group instituted investments in 1983 amounting to US \$ 222 million.

## Downward trend in level of employees continues

As of December 31 1983, the VOEST-ALPINE Group had 72,288 employees world-wide (a drop of around 4 percent on 1982).

## The VOEST-ALPINE AG

Total sales of US \$ 2,704 million achieved

During the fiscal year 1983 the sales of the VOEST-ALPINE AG reached a new peak of US \$ 2,704 million (plus US \$ 181 million, up 7 percent in comparison with 1982).

This rise in sales can be attributed above all to the growth of the engineering/contracting and services sector, which attained its highest-ever annual turnover, US \$ 1,107 million.

In metallurgical products, too, despite sales restrictions in the EEC area, the winning of new markets in Africa and Asia led to sales increases of about 4 percent, rising to US \$ 1,133 million.

The continuing world crisis in the machine construction industry, together with the difficult situation in the forging and casting sector, also led to declines in sales at the VOEST-ALPINE AG. Particularly in the finished products sector and in metallurgical manufactured products.

The fact that exports accounted for 72 percent of company turnover not only proves VOEST-ALPINE's international capability, but also underlines once again its importance for the Austrian balance of trade.

## Slight downward trend in the number of employees

As of December 31 1983, VOEST-ALPINE AG employed a total staff of 39,179 (856 fewer than in the previous year). This corresponds to a drop of slightly over 2 percent.

## Profitability picture still depressed

The extremely limited expectations concerning a marked economic revival that were evident at the beginning of 1983 have unfortunately proved to be correct.

The continuingly depressed price situation for metallurgical products and products from metallurgical manufacturing also detrimentally affected the results of these sectors during the past fiscal year. In addition to this, the effects of the crisis in the finished products industry could only be partially offset by the development of new and technically more sophisticated products.

The profit picture in the engineering/contracting and service sector, on the other hand, was satisfactory. Despite the fact that the strong international competition in this sector no longer allowed for wide margins, appropriately positive results could nevertheless be achieved.

The start-up costs associated with the commissioning of new manufacturing facilities have imposed a further load on the results for this financial year, which were already strongly influenced by the difficult market situation.

Therefore, 1983 saw a loss of US \$ 144 million, which after taking account of the US \$ 142 million supplied to the company by the Österreichische Industrieverwaltungs-AG for the purposes of structural improvements, gave a net loss of US \$ 2 million as shown in the balance sheet. Including the US \$ 26 million loss brought forward from previous years, a net loss of US \$ 28 million is to be carried forward.

## Improved outlook for 1984

The impulses provided by a generally more lively economy, the strong position it holds in the traditional product groups and the sustained growth of the new divisions, all entitle the VOEST-ALPINE Group to look forward to 1984 with optimism.

VOEST-ALPINE AG  
P.O.B. 2, A-4010 Linz/Austria  
tel. 0 732/585-1, telex 2207 va a cables: Voestalpine Linz/Donau





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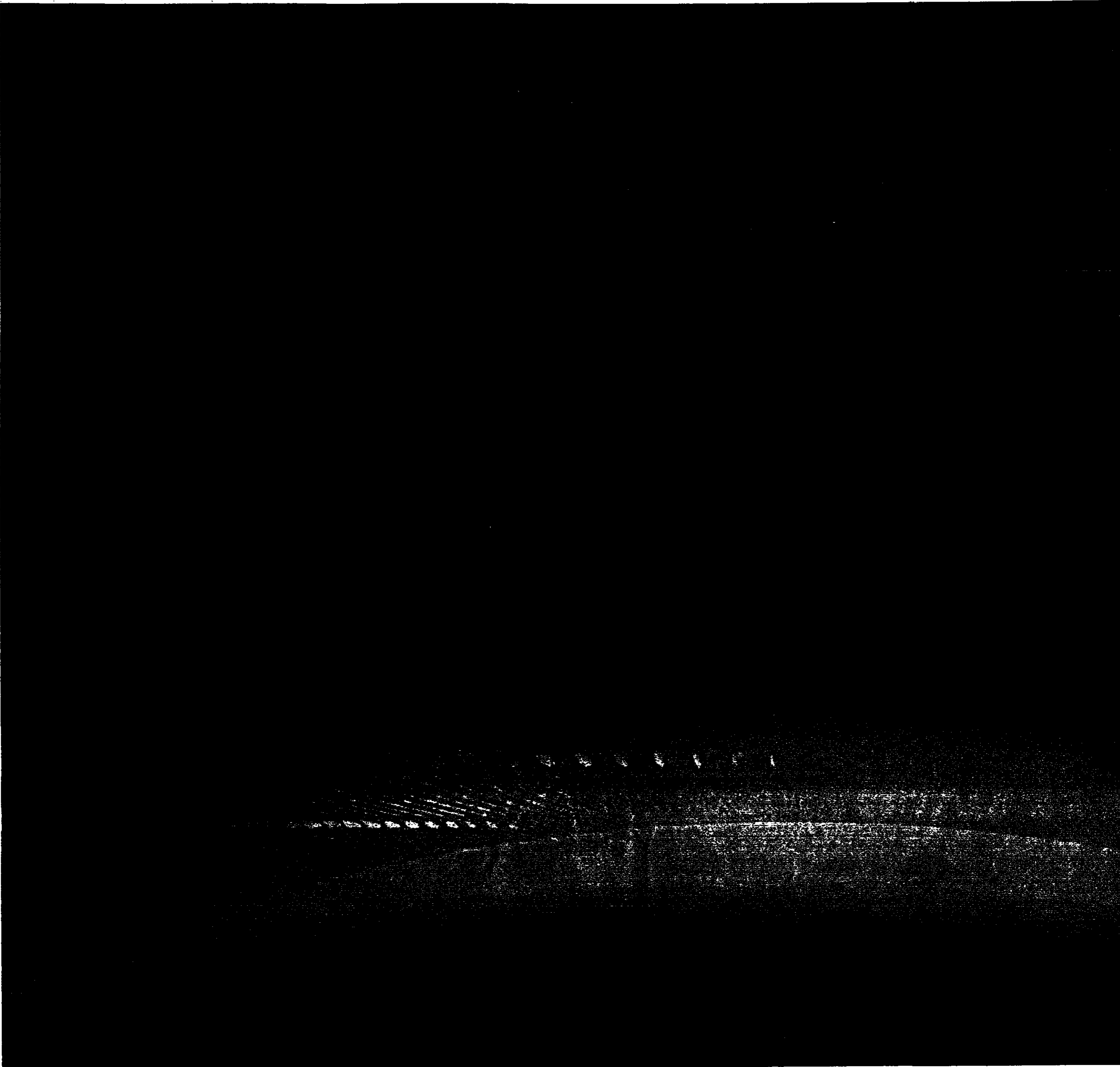
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LPINE



# Our technology flies over people's heads

The paradox of modern electronics is that the more sophisticated the technology the simpler the products are to operate.

A good case in point is the latest Stratus system for voice switching. It will make air traffic control along southern Britain's busy flight paths even safer and easier.

IAL, a part of the STC Group, had to perfect new distributed microcomputer technology for speech networks in the development of Stratus.

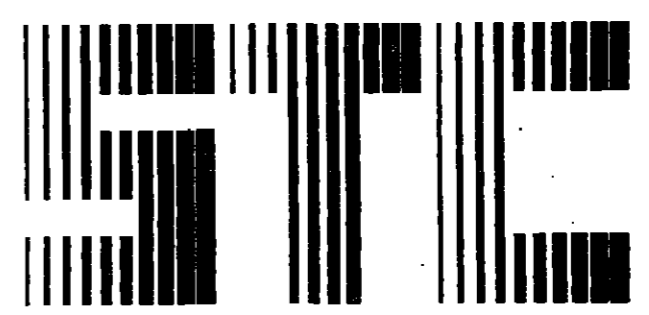
But despite this complexity, air controllers appreciate how comparatively simple it is to operate.

And what's true for air traffic controllers holds true for everybody as electronics increasingly makes itself felt at work and in the home.

No matter what technical heights we rise to, when it comes to ease of operation we keep our feet firmly on the ground.

If you'd like to take a closer look at how STC is shaping the future, we'll be delighted to send you our colour brochure. Write to:

Peter Earl at Standard Telephones and Cables plc, STC House, 190 Strand, London WC2R 1DU.



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Company Notices

**SAMSUNG SEMICONDUCTOR & TELECOMMUNICATIONS COMPANY LIMITED**  
 US\$30,000,000  
**Floating Rate Notes Due 1994**  
 Guaranteed By **SAMSUNG ELECTRONICS COMPANY LIMITED**  
 For the six months from 6th July, 1984 to 7th January, 1985 the notes will carry an interest rate of 13 1/2% per annum. The interest payable on the relevant interest payment date 7th January, 1985 will be US\$6,776.91 per US\$100,000 note.  
 Agent Bank **CHEMICAL BANK**

**OMRON TATEISI ELECTRONICS CO.**  
 Advice has been received from Tateisi that payment of a Cash Dividend of £100,000 will be made from the 6th month period ending 31st July 1984. The dividend will be available in the form of a cheque payable to the order of the shareholder. The dividend is subject to deduction of any tax payable. The dividend is subject to deduction of any tax payable. The dividend is subject to deduction of any tax payable.

**THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK**  
 £50,000,000 GUARANTEED FLOATING RATE NOTES DUE 1994. SERIES 91. UNCONDITIONALLY GUARANTEED BY THE KINGDOM OF DENMARK.  
 In accordance with the terms and conditions of the Notes, a copy of which is available on request, the Notes will carry a rate of interest of 13 1/2% per annum from 6th July 1984 to 7th January 1985. The interest payable on the relevant interest payment date 7th January 1985 will be US\$6,776.91 per US\$100,000 note.  
 Agent Bank **CHEMICAL BANK**

Contracts & Tenders

**WANDSWORTH BOROUGH COUNCIL**  
**REMEDIATION WORK TO HEATING INSTALLATIONS AND ASBESTOS REMOVAL AT THE ALTON ESTATE, LONDON, S.W.12**  
 Having received tenders for the above work, the Council is now accepting tenders for the following work at Alton Estate, Richmond, London, S.W.12, should submit names of the Director of Administration, Room 111, The Town Hall, Wandsworth High Street, London, SW18 2PU by 27th July 1984.  
 The work will include:  
 (a) dismantling existing purpose-built heaters, removing asbestos-bearing materials and fitting asbestos-free substitute materials, pipework modifications and the re-assembly of the heaters in 1,122 occupied dwellings.  
 (b) removal of asbestos-bearing materials and the provision of asbestos-free insulation of the systems in seventeen of the blocks.  
 Applicants must be recognised firms of heating engineers with experience of maintenance work on district heating systems. The asbestos removal work, which may be sub-contracted, must be supervised by a specialist licensed to operate in the manner required by the Health and Safety Executive in England as from 1st August 1984.  
 Applications must be submitted to the Council's Director of Administration, Room 111, The Town Hall, Wandsworth High Street, London, SW18 2PU, by 27th July 1984.  
 It is anticipated that tenders will be invited in autumn 1984 and that the work will start in early 1985 and be completed within six months.  
 Tenders will be required to bid for the work in two halves, and may also be invited to undertake the whole if they have sufficient resources to complete the programme.  
 Further information and copies of the tender documents may be obtained from the Council's Director of Administration, Room 111, The Town Hall, Wandsworth High Street, London, SW18 2PU.

**SYRIAN ARAB REPUBLIC**  
**PUBLIC ESTABLISHMENT OF ELECTRICITY FINANCIAL DIRECTORATE - EXTERNAL CONTRACT SECTION**  
 Extension of the closing date of Tender No. 1529  
 Following our advertisement of the call tender No. 1529 for the supply and installation of a 220/400 KV which is mentioned in the daily official Bulletin No. 4677 dated 1.1.1984. The closing date for presenting the offer is extended until Saturday 4.8.1984. We draw your kind attention that we would accept another alternative for operating the Engine Breaker that is the operating by (Pneumatic).  
 THE GENERAL DIRECTOR OF PEEL ENG. R. IDRIS

Art Galleries

**AGNEW GALLERY**, 43, Old Bond St. W.1. 01-236 8176. THE HERCULES AGE, Impressionist, 18th-19th C. Mon-Fri. 10.30-5.30. Thurs. until 9.30.  
**BROUKE & DARYL**, 19, Cork St. W.1. 01-499 5018. BRITISH & FRENCH, 18th-19th C. Mon-Fri. 10.30-5.30. Thurs. until 9.30.  
**TRACHERAY GALLERY**, 18, Theobald St. W.1. 01-237 5803. MIXED SUM. HIGH QUALITY. Part II. Focusing on 18th-19th C. Mon-Fri. 10.30-5.30. Thurs. until 9.30.  
**LUNLEY GAZALEY**, 24, Dorset St. W.1. 01-499 5018. 50 FINE PRINTS. Focus on Modern. Mon-Fri. 10.30-5.30. Thurs. until 9.30.  
**MATTHEWSON**, 7-8, Manor's Yard, Dorset St. W.1. 01-237 5803. FINE PRINTS. Focus on Modern. Mon-Fri. 10.30-5.30. Thurs. until 9.30.

Clubs

**THE LITTLESHALL COMPANY**, 189, Avenue H, 01-735 0344. RAMON'S NIGHTCLUB RESTAURANT, 189, Avenue H, 01-735 0344. RAMON'S NIGHTCLUB RESTAURANT, 189, Avenue H, 01-735 0344. RAMON'S NIGHTCLUB RESTAURANT, 189, Avenue H, 01-735 0344.

Personal

**Mr S. J. Kirby** has been appointed group managing director of THE WOLVERHAMPTON AND DUDLEY BREWERIES. Mr P. A. Robertshaw has been appointed production director in succession to Mr B. C. Clubb, who is retiring at the end of August.  
**Mr Chris Robinson**, who was head of the commercial department of the Industrial Society, has been appointed a director of CLARK WHITEHILL CONSULTANTS. Most recently he has been principal of the Trustee Savings Bank residential training centre.  
**Mr Christopher Penn** has been appointed director of management resources for the PEARSON GROUP. He joins from the flexible packaging industry where he worked from 1963 until the present, latterly as director of the conversion division of UCB whose head office is in Brussels.  
**SCHRODER INTERNATIONAL** has appointed Mr F. Hargreaves-Allen and Mr P. C. Robinson

APPOINTMENTS

Group chief executive for Norcros



**Mr Terry Simpson**, group chief executive of Norcros

chief executive, Sir Percy Rugg is also retiring and Mr M. C. Robinson has been appointed a director. Mr F. G. Major has been appointed UK operations manager. Mr A. D. Blackstock has been appointed managing director and Mr E. MacFarlane a director of Scruttons International Transport and Engineering Services.  
**Mr Hugh Thomson** and **Mr David Llewellyn** have joined the board of REKEL. Mr Thomson becomes operations director from general administration manager. Mr Llewellyn becomes director/general manager of the Cumberland Fencil Company, a Rexel subsidiary, having been works director.  
**Mr Denis Bell** has been appointed a UK director of ANGLU UNITED DEVELOPMENT CORP, a Canadian company whose shares are listed on the Toronto Stock Exchange. Mr Bell has been associated with Anglo since 1962 when it acquired Coal Contractors Holdings Inc and subsequently Coal Contractors, the businesses which form the basis of its present opencast coal mining activities.  
**Mr John R. Butland** has been appointed a director of LONDON SHOP PROPERTY TRUST.  
**Mr Richard Kila** has been appointed data processing director of ABC TRAVEL GUIDES, a division of Reed Telepublishing. He joins ABC from the board of Thomson Holidays, where he was datacentre director.  
**Mr George Davies**, managing director of Hepworths Retail and managing director of "next", has been appointed group joint managing director of BEP WORTH & SON. He has assumed joint responsibility for the group with Mr Jeff Rowley who is the present managing director. Mr Rowley is to retire on December 31 and on January 1 Mr Davies will assume the title of chief executive.  
 With the regrouping of BECK & POLLITZER's engineering companies Mr Michael Fatter has been appointed operations director and Mr Ken Hayward sales director of Beck & Pollitzer Engineering. Mr Fatter and Mr Hayward were respectively managing directors of Beck's Industrial Contracts and Beck & Pollitzer, Manchester. Both these companies have been merged with Beck & Pollitzer Engineering for which Mr Michael Stone becomes managing director. Mr Stone is retiring and will combine the chairmanship with his present responsibilities as

a subsidiary of Transport Development Group.  
**YULE CATTO** has appointed Mr Annesley Kewna as group chief executive in addition to his role as vice-chairman. Mr R. W. Bushell is also appointed additional vice-chairman. Mr John Duckett and Mr Alan Scott are appointed associate directors.  
**Mr John Kaiser**, who has been with H. R. OWEN for seven years, latterly as director and general manager of the South Kensington branch, has now been appointed managing director. He succeeds Mr Peter Reynolds who retains his position as executive chairman. Mr Kaiser will be responsible for the operation of Owen's four London branches and will report to Mr Reynolds in respect of the sales, service, parts and forecast activities of the branches which are franchised for Rolls-Royce and Bentley, Jaguar and Delmler, Ferrari, Range Rover and Lancia.  
**Mr R. J. Thompson** has been appointed a director of MASSOR SYSTEMS INTERNATIONAL. Mr Thompson has spent more than 40 years in the electronics industry and was a director of NCR UK immediately prior to his retirement.  
**TRIUMPH ADLER UK** has appointed Mr Bernhard Kotarski, formerly with the parent company, as managing director.

Following the acquisition of Royal Worcester, Mr Charles K. Howe, who is already group chief executive and managing director of CRYSTALLATE HOLDINGS, becomes chairman of its Green-dale and Osborne operations to add to his existing responsibilities for A. P. Besson, Ebonestos Industries and the French subsidiary EGIE of Tourman. Mr John E. Harris is appointed a group managing director and remains responsible for the operations of Welwyn Electronics. At Crystallate Electronics Mr E. A. Maddison becomes a director and group managing director and Mr P. L. Kirby becomes director of research. Mr A. J. King becomes a director and remains group personnel and administration manager. Mrs K. F. O'Sullivan becomes a director and remains group accountant.  
**CENTRAL INDEPENDENT TELEVISION** has appointed Mr Dick Emery as director of sales. Sales contracts of TV3 for the past 18 months, he succeeds Mr Peter Mears, who died earlier this year. Mr Emery will join the main board of Central when he takes up his appointment in early August.

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When did you last buy a car that smelled as good as this new Ford Granada?

Remember leather upholstery, and that lovely fragrance that greets you when you open the car door? To many people it's the ultimate luxury.

Well today, once again, you can buy a Ford Granada with leather seats. It's the new top of the line Ghia X Executive which is now available in limited numbers, limited because the top grade hides which are supplied by Connolly take over sixty hours each to tan, soften and turn into fully dressed leather.

But, of course, you don't have to buy a Granada with leather seats if you don't want to. Those who prefer cloth will find any of the Ghia X models just as comfortable.

standard too. It's particularly pleasant if you're ever caught in one of those frustrating summer traffic jams.

Then again, you could always open the sun roof. That's electrically operated too. As are the windows. And the heated door mirrors.

But perhaps the greatest luxury is the 2.8 litre Granadas have to offer is the luxury of power. No matter what you ask of them, the silky-smooth V6 engines always seem to have so much in reserve that you never feel as if they're having to try very hard.

The ease of driving is assisted by power steering which, though fingertip light at parking speed, still gives you plenty of 'road feel' when you're driving faster.

As you'd expect, the automatic gearbox is standard.

And the suspension, while tuned to smooth your way round town, feels reassuringly firm on the open road. Meanwhile, there's a splendid display of instruments on the dashboard. An onboard computer is standard so, among other things, you can monitor your average speed and fuel consumption.

An overhead console houses a row of warning lights which alert you to potential problems like low oil level and worn brake pads.

Few drivers are as well informed. But rather than read about it, why not drop in to your Ford dealer and experience the Granada first hand. It may well have the most comfortable seats you'll sit in all day. With or without leather upholstery.

Driving lights are standard on the Ghia X Executive. Two-tone paint, not shown, is optional at no extra cost.

Are you as well informed as the Ford Granada driver? Note the overhead console.

Imagine that you're behind the wheel.

Does the seat position need changing? Easy, it's power-adjusted. So is the front passenger seat.

Does the temperature suit you? If not, you can always turn on the air conditioning. Believe it or not, that's

Driving lights are standard on the Ghia X Executive. Two-tone paint, not shown, is optional at no extra cost.

Ford cares about quality.



TECHNOLOGY

EDITED BY ALAN CANE

AT & T AND OLIVETTI LINK HANDS ON SOFTWARE

Unix: Bell Labs' passport to freedom

BY GEOFFREY CHARLISH

POWERED BY the self-generated success of the computer operating system, Unix, AT & T and Olivetti have jointly launched a new company called Unix Europe.

It is headed by 41-year-old Vanni Papi, who comes from Digital Equipment (DEC), where he had been managing the large accounts unit. The aim, in the words of Elio Pini, executive vice-president of Olivetti, is "to promote Unix in Europe as the market standard in the software field."

He believes that Unix, as a European standard, "may offer an interesting opportunity to the whole European information technology industry—even to the extent of altering the present relative positions of strength of the various majors in the field."

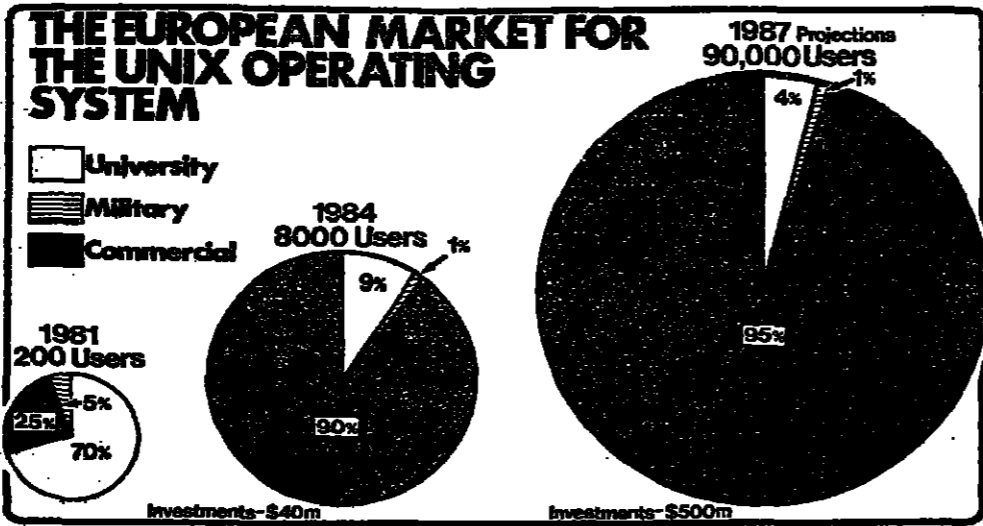
Unix was invented in Bell Laboratories in the mid-1970s and was designed from the start as a multi-user multi-tasking operating system for use in AT & T, capable of being used on computers from many different makers.

Written in the high level language "C", Unix System 5 is easily "transported" from one maker's hardware to another, from micro to mainframes. This portability gives end users considerable flexibility in selecting new hardware, allowing them to take advantage of the rapid advances in computer technology without jeopardising existing software investment.

For these reasons, Unix in its earlier version 3 has already been very successful. Jack Scanlon, vice-president of AT & T's computer systems division, estimates that some 90,000 computers from 80 different computer companies are running Unix systems. In addition, over 300 applications packages have been written by about 80 software houses—up by a factor of six compared with 1982.

Of greater significance may be the fact that 750 universities, of which 240 are in Europe, have been licensed to use it. "This means," says Scanlon, "that the great majority of the computer science graduates around the world have been exposed to Unix as part of their education."

The facts prove the point. In 1981 there were only 200 users



and 70 per cent of them were in universities. This year, the user count will rise to 8,000, but 90 per cent will be commercial. Within another three years, Scanlon believes that the European market will have risen to 90,000 users, representing an investment of over \$500m—a ten-fold increase over 1984.

One reason for the appearance of Unix Europe is that until the split-up of AT & T in the U.S., the company was not permitted under anti-trust rulings to market software directly. Now, in conjunction with Olivetti (in which it has a 25 per cent interest), the corporation clearly intends to exploit the software to the maximum. Unix Europe however, will operate quite inde-

pendently of both companies.

It will employ only 15 people to start with although Scanlon expects this to grow. It is the first company to be formally set up under the recent co-operative agreements between AT & T and Olivetti.

In addition, an undisclosed number of "accredited" software companies will be appointed that will offer service and support for the software throughout Europe.

It is understood that present licensing agreements for the earlier System 3 Unix will be re-negotiated on favourable terms to users, but that from now on all licensing in Europe will be through the new company.

The company promises that new releases of Unix will be

made simultaneously in the U.S. and Europe—there will be no "transatlantic delay."

The first licensing of code will start on July 16th and the company is scheduled to be in full operation with technical support (installation, maintenance, consultancy), training and software library facilities for System 5 by September, at any rate for larger customers. The network of accredited companies that will look after smaller customers is expected to be in place by March of next year.

Vanni Papi summed up the company's view of what Unix Europe means. He said computer users could now look forward to freedom from slavery of the established computer makers.

Why Unix is set to alter the computer world

UNLIKE CP/M and MS-DOS, the most popular operating systems for 8-bit (Apple II, for example) and 16-bit (ACT Apricot) computers, which are essentially simple, Unix is the most sophisticated operating system for 16-bit and 32-bit computers currently available.

It is multi-tasking, dynamic memory managed and allows applications programs to start new tasks, to communicate with other tasks and controls its memory allocation within the bounds set by the system.

It makes possible very powerful applications programs.

Academies using Digital Equipment minicomputers recognised its value more than 10 years ago, but it was not until the present generation of very powerful microprocessors that it could be applied to business micro-computing.

It provides a hierarchical file structure that provides security—access to the system has to have clearance—and date stamping.

From the user's viewpoint, the most powerful aspect of Unix is a command processing program called the "shell."

This makes it possible for the user to accomplish the functions of many commands with a single command. The trade off for all this "user friendly" power is the amount of processing power it ties up—Unix is slow on medium-powered machines.

It is written in "C", a general purpose computer language. Unix and all its applications are written in C and it is easy to transport the software from computer to computer because only a small portion of Unix needs to be tailored to the needs of a particular design of microprocessor.

Again, the trade off is that the systems takes substantial amounts of processor power to give a good response to its users—but with high powered microprocessors like the Motorola 68000 family, this constraint is not significant.

U.S. consortium plans smart eyes in space

By PETER MARSH

A SYSTEM of programmable remote-sensing satellites that scan the earth in up to 32 spectral bands could be in operation by the end of the decade.

People who require data from the vehicles, for example to monitor the growth of crops or spot minerals deposits, would instruct the spacecraft in advance to look at the earth in specific spectral regions, in this way maximising the sensitivity of the hardware.

The satellites have been proposed by an American consortium called EOSAT, one of two groups that the U.S. Government is evaluating as contenders to take over the Landsat remote-sensing system.

Landsat started in 1972, operated initially by the National Aeronautics and Space Administration and more recently by the National Oceanic and Atmospheric Administration. Engineers have put into orbit five Landsat satellites, the last two of which are still operating.

Over the past few years, the U.S. Government has become adamant that the system should be handed to the private sector to exploit. After lengthy discussions, the Department of Commerce announced last week that it has narrowed down the list of candidates to two—EOSAT, in which the main partners are Hughes and RCA, and a consortium led by Eastman Kodak.

The department will continue negotiations during the summer and pick the winning contender probably by October. The main issue at stake is financial. Neither consortium is likely to want to fund further developments in Landsat without such support from the Government.

Another dilemma is the basis on which data from the remote-sensing satellites is sold to customers around the world. Hitherto, the U.S. Government has sold Landsat information (which takes the form either of photographs or of reels of computer tape) on a non-discriminatory basis to anyone who asks for it.

Companies or governments that buy the data are then free to do what they like with it, even sell the information to other parties. Whichever group operates the satellite network will probably insist, at the very

least, on a system of copyright protection to prevent the pirating of data products.

The consortium that "wins" Landsat will take over the two operating satellites, ground stations (the chief one of which is at NASA's Goddard Space Flight Center near Washington DC) plus voluminous files of information that the space vehicles have gathered since 1972.

Although it is estimated that the Government and private companies have spent more than \$1bn on Landsat, accountants have valued the existing infrastructure at virtually nil on the basis that Landsat is not a commercial entity but little more than a research project.

EOSAT plans by the early 1990s to place in orbit four more satellites. The most advanced will have sensors called multiple linear arrays, clusters of solid-state detectors that scan in 32 channels in the infrared and visible parts of the spectrum. In contrast, the thematic mapper, the most sophisticated sensor on the existing Landsat vehicles, looks at the earth in just seven channels.

Dr Charles Sheffield, vice president of Earth Satellite Corporation, argues that with the large number of spectral divisions, the consortium will be able to tailor its service to individual users. Customers who want data about specific kinds of vegetation, for example to check on a disease that affects a single crop, would thus order in advance the satellite to scan an area of the earth in a particular way.

Dr Sheffield says the group would spend "several million dollars" on the new satellite plus hardware for processing the data in earth stations. A large slice of investment would be in building up a marketing team. "Currently there is no sales department for Landsat and no product evaluation,"

says Dr Sheffield. "No one tries to advertise the product or find out what users want."

By the mid 1990s, Dr Sheffield thinks revenues from Landsat could come to some \$100m a year. At present, the U.S. Government earns no more than a few million dollars annually from Landsat sales.

About a dozen foreign governments receive Landsat data with their own earth stations. They have to pay an annual fee of \$600,000 plus a royalty based on the volume of information that they collect. An arrangement similar to this would continue if EOSAT were to win the approval of the Department of Commerce.

In contrast, Eastman Kodak has preferred not to discuss its plans publicly. It would base sensors for new satellites on its own research work in electronic imaging. Other members of the consortium are Fairchild (which would provide the spacecraft), TRW (ground operations) and the Environmental Research Institute of Michigan (a company affiliated with the University of Michigan, which would be responsible for marketing).

Whoever wins the Government's blessing will be spurred on by one important factor—the threat of foreign competition. Spot Image, a company partly financed by the French Government, plans next year to place in orbit the first of several remote-sensing satellites and has formulated detailed plans to sell the data around the world.

Spot Image plans a total of four satellites. It will sell for about \$1,000 a reel of tape containing data from an area of the earth measuring some 60 km square. Photographs from the spacecraft will pick out objects as little as 10 m across.

The revamped Landsat system will also face competition from two U.S. concerns. Space America, a consortium based near Washington DC, plans to launch satellites built by Ford Aerospace with sensors provided by Honeywell. Spax of New York, meanwhile, aims to take pictures of the earth from a large free-flying platform called SPAS built by MBB of West Germany.

The good news is FERRANTI Selling technology

'A disruptive force in the industry'

A REPORT from New York stockbrokers Faine Webber Mitchell Britains, says the growing acceptance of Unix is likely to be a major disruptive force in the microcomputer and supermicro industries next year.

There is a prospect, says Mr Stephen Smith of Faine, that Unix will provide IBM with an opportunity to repeat the success it has had with its personal computer, "this time with a supermicro aimed at the low end of the microcomputer industry—an area where IBM has historically had little success."

A constraint on the acceptance of Unix has been the rather slow flow of applications programs from the software houses. They have been pre-occupied with providing programs for the IBM PC.

By January this year, however, a hundred hardware vendors had endorsed Unix in the U.S. and there are likely to be Unix-oriented hardware offerings from IBM and AT&T during this year.

Smith asserts: "Unix changes the rules of the game. No longer can vendors rely on

their existing customers for repeat business. Unix frees computer users from becoming locked in to the proprietary hardware and software of a single vendor."

Hardware price will be increasingly significant as Unix becomes a standard. A few low cost vendors will ultimately dominate the Unix market says Smith. He thinks that vendors with other operating systems but a small installed hardware base will find it increasingly difficult to persuade software houses to develop programs,

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The serial numbers of the Bonds drawn for redemption are as follows:—

5	420	827	1360	1906	3422	3941	4511	4945	5552	6081	6664	7126	7722	8157	8644	9084	9590	10014	10513	11710
8	443	835	1365	1906	3423	3980	4518	4960	5570	6120	6684	7152	7736	8180	8664	9104	9590	10014	10513	11710
14	452	846	1368	1951	3425	3980	4532	4967	5581	6124	6684	7152	7736	8180	8664	9104	9590	10014	10513	11710
22	456	849	1378	1950	3437	3991	4554	5012	5608	6151	6706	7188	7744	8194	8664	9085	9537	10062	10557	11722
23	462	851	1410	1954	3453	4029	4583	5018	5623	6132	6718	7180	7771	8212	8687	9088	9569	10072	10537	11725
56	469	853	1462	2020	3457	4103	4575	5040	5640	6152	6717	7203	7774	8218	8725	9112	9674	10089	10508	11733
58	471	862	1483	2025	3495	4110	4590	5056	5650	6175	6721	7247	7778	8223	8767	9136	9592	10109	10513	11743
67	472	880	1477	2039	3520	4123	4593	5091	5663	6190	6751	7249	7782	8227	8791	9159	9721	10116	10615	11754
102	484	917	1494	2079	3547	4155	4603	5093	5676	6192	6752	7253	7791	8243	8806	9167	9731	10121	10622	11760
117	486	930	1530	2092	3566	4156	4616	5105	5678	6199	6758	7256	7805	8256	8809	9177	9762	10135	10629	11761
123	490	936	1531	2097	3571	4163	4626	5115	5684	6207	6767	7267	7810	8263	8811	9179	9766	10168	10644	11761
129	502	941	1533	2098	3610	4170	4627	5141	5703	6221	6801	7284	7824	8285	8813	9195	9774	10170	10662	11788
146	503	953	1535	2105	3611	4178	4674	5145	5710	6228	6826	7302	7841	8286	8823	9200	9776	10174	10666	11805
147	512	952	1545	2112	3696	4183	4675	5149	5724	6242	6845	7312	7843	8271	8855	9255	9789	10179	10675	11837
150	542	1022	1573	2141	3704	4217	4757	5308	5870	6408	6962	7436	7952	8401	8957	9418	9947	10263	10520	11847
152	564	1026	1575	2147	3711	4200	4713	5167	5735	6309	6882	7363	7865	8290	8867	9297	9793	10193	10689	11858
184	589	1052	1591	2164	3746	4209	4714	5182	5738	6326	6908	7388	7893	8332	8882	9352	9756	10205	10703	11904
176	571	1055	1602	2312	3748	4218	4720	5184	5760	6329	6911	7385	7904	8374	8922	9396	9811	10224	10733	11943
180	590	1062	1646	2352	3751	4232	4737	5209	5794	6340	6917	7390	7904	8374	8922	9396	9811	10224	10733	11943
185	599	1098	1651	2950	3761	4279	4736	5228	5800	6376	6925	7395	7913	8383	8937	9398	9828	10246	10787	11944
186	613	1108	1661	2979	3769	4281	4739	5239	5814	6379	6943	7401	7920	8384	8941	9399	9845	10252	10805	
191	615	1116	1690	3187	3772	4316	4744	5268	5832	6397	6947	7418	7930	8396	8945	9390	9846	10257	10807	
242	646	1257	1730	3235	3941	4364	4778	5352	5950	6422	7021	7489	7971	8500	8960	9453	9926	10317	11075	
199	619	1149	1752	3212	3817	4332	4764	5316	5919	6414	6968	7467	7954	8413	8858	9327	9852	10293	10823	
204	621	1164	1757	3213	3835	4338	4769	5338	5931	6428	6971	7468	7954	8426	8861	9329	9856	10305	10831	
220	632	1198	1758	3226	3840	4346	4773	5343	5944	6432	7003	7488	7965	8496	8974	9443	9901	10314	10855	
242	646	1257	1730	3235	3941	4364	4778	5352	5950	6422	7021	7489	7971	8500	8960	9453	9926	10317	11075	
286	647	1269	1787	3291	3854	4385	4780	5387	5986	6470	7023	7517	7972	8511	8986	9473	9925	10357	11018	
300	655	1219	1790	3276	3858	4388	4784	5408	5983	6489	7030	7528	7994	8513	8988	9475	9927	10370	11029	
318	697	1295	1781	3281	3859	4385	4791	5418	5990	6483	7036	7536	8010	8519	8990	9485	9929	10377	11034	
328	701	1298	1794	3288	3871	4420	4805	5439	6005	6511	7048	7543	8033	8544	8992	9488	9933	10421	11044	
343	703	1290	1801	3302	3897	4415	4817	5441	6027	6517	7052	7544	8055	8562	8998	9493	9951	10426	11048	
354	716	1273	1820	3340	3890	4437	4835	5442	6034	6533	7056	7545	8060	8591	9110	9551	9955	10429	11075	
366	727	1281	1829	3347	3898	4457	4863	5453	6037	6546	7065	7561	8061	8593	9118	9553	9958	10440	11088	
392	736	1298	1850	3395	3902	4460	4879	5486	6041	6552	7066	7577	8069	8604	9028	9564	9973	10447	11089	
400	758	1310	1854	3397	3907	4479	4881	5492	6045	6563	7074	7581	8102	8611	9044	9565	9980	10448	11087	
405	800	1329	1857	3396	3925	4481	4893	5500	6048	6568	7089	7594	8108	8612	9051	9566	9982	10491	11072	
411	820	1331	1872	3400	3931	4496	4909	5509	6060	6573	7108	7635	8110	8617	9055	9571	9985	10492	11083	
414	823	1336	1886	3402	3940	4504	4921	5551	6082	6641	7122	7709	8177	8637	9058	9581	9988	10508	11701	

On August 15, 1984, there will become due and payable on each Bond drawn for redemption, the principal amount thereof together with accrued interest to August 15, 1984. On and after that date interest on the Bonds to be redeemed shall cease to accrue. Payment of Bonds to be redeemed will be made on or after August 15, 1984 upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after August 15, 1984 at the office of:—

The Chase Manhattan Bank, N.A.,  
Woolgate House,  
Coleman Street,  
London, EC2P 2HD,

or one of the other Paying Agents named on the Bonds.

The serial numbers of the Bonds drawn for redemption on August 15, 1983 and still unrepresented are as follows:—

44	80	97	109	141	171	183	201	213	231
222	254	267	264	273	277	279	292	297	304
312	321	326	340	342	410	426	450	465	488
496	500	505	524	561	580	585	586	1029	1030
1049	1075	1284	1405	1407	1417	1431	1437	1438	1442
1523	1579	1687	1698	1975	2086	2091	2093	2130	2186
2173	2175	2314	3003	3421	7321	10410			

£8,800,000 nominal amount of Bonds will remain outstanding after August 15, 1984.

Dated: July 9, 1984.

The Chase Manhattan Bank, N.A.  
Principal Paying Agent.

**STOCK EXCHANGE BUSINESS IN JUNE**

**Miners' strike and interest rate fears put damper on business**

STOCK EXCHANGE turnover in June contracted as investors became increasingly nervous about the effects of the prolonged miners' dispute and the outlook for interest rates.

June contained 21 trading days—the same as May—but equity turnover still fell to its lowest level for six months.

London equity activity became more inhibited as the month drew to a close with higher interest rate prospects and the imminent flotation of Enterprise Oil keeping investors at bay.

Turnover in ordinary shares fell by 20.95bn, or 16 per cent, to £4.98bn, and the Financial Times turnover index for ordinary shares dropped to 888.1 from the May level of 1,057.8.

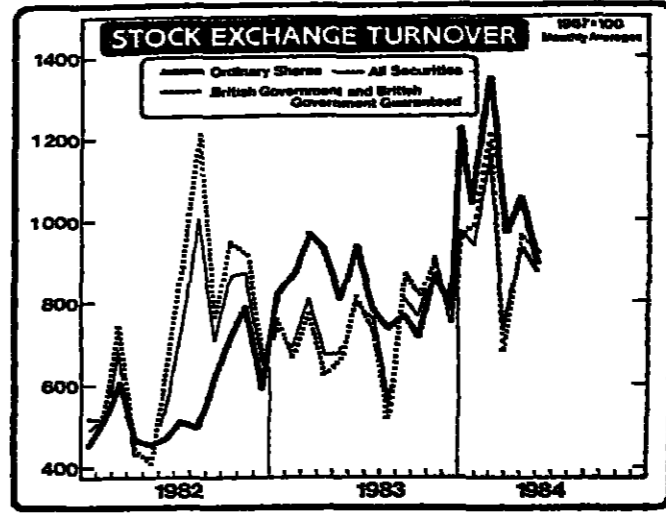
This, however, still compares favourably with the 1983 monthly average of 834.7.

The number of equity bargains during June fell by 87,565 to 314,307, but the average value per bargain increased by £1,000 to £15,500.

Leading equity shares were very sensitive during June. The troubled international financial scene and the more cautious approach adopted by UK institutions, which reflected underlying sensitivity to Wall Street's raised performance, gradually unsettled the market.

Prices had rebounded sharply early in the month. On June 1, the Financial Times Industrial Ordinary share index recorded its biggest-ever one-day rise by jumping 27.8 points.

An extension of the largely technical rally from the end-May depressed level of 796.9 saw the index attain a high point for the month of 846.5 on June 6.



Thereafter, with investment activity in low key, the index drifted back to a low point of 803.9 on June 26 before closing the month a net 21 points up at 817.9.

Overall turnover in gilt-edged securities contracted last month, by £0.82bn, to £21.71bn. Business in short-dated stocks increased, but this was outweighed by decreased trade in longer-dated and irredeemable stocks. Turnover in the latter category fell by £1.22bn, or 11.5 per cent, to £9.39bn.

The overall number of bargains transacted in British Funds, however, increased marginally to 70,467 with deals in the shorts 2,668 higher at 29,492.

The Financial Times turnover index for Government Securities in June was 918.7 compared with May's 953.3. The FT Government Securities index fluctuated narrowly and ended the month 0.36 points higher at 78.43.

Largely reflecting the fall-off in equity business, total turnover in June, at £28.37bn, was down by £1.95bn, and the Financial Times turnover index for all securities slipped from May's level of 829.1 to 869.4. The total number of bargains declined by 93,058 to 412,361.

Gold shares weakened during the month on lack of demand in the face of higher U.S. interest rates, which also encouraged a downturn in the bullion price. The Financial Times Gold Mines index lost 36.4 points to close June at 644.9.

Category	Value £m	% of total	Number of bargains	% of total	Average daily value £m	Average bargain value £000's	Average no. of daily bargains
<b>BRITISH FUNDS</b>							
Short dated (5 years or less to run)	12,314.3	41.4	29,492	7.2	586.4	417.5	1,404
Others (over 5 years)	9,392.0	31.1	40,975	9.9	447.2	229.2	1,951
TOTAL	21,706.3	76.5	70,467	17.1	1,033.6	308.0	3,355
<b>IRISH FUNDS</b>							
Short dated (5 years or less to run)	628.9	2.2	1,435	0.4	29.9	384.6	78
Others (over 5 years)	298.4	1.1	1,700	0.4	14.2	175.5	81
UK LOCAL AUTHORITY	389.1	1.4	3,916	0.9	18.5	99.4	186
OVERSEAS GOVERNMENT	128.5	0.4	1,815	0.4	6.1	70.8	84
OTHER FIXED INTEREST	244.1	0.9	18,521	4.5	11.6	13.2	82
ORDINARY SHARES	4,977.2	17.5	314,307	76.2	237.0	15.8	14,967
TOTAL	28,372.5	100.0	412,361	100.0	1,350.9*	68.8*	19,635

\* Average of all securities.

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UK NEWS

# Print employers offer jobs deal on technology

BY DAVID GOODHART, LABOUR STAFF

THE NEWSPAPER Society, which represents provincial newspaper employers in Britain, is offering print unions a qualified job security agreement as a quid pro quo for the full introduction of new technology.

A draft national enabling agreement for the introduction of technology - including single keyboarding - has been presented to the National Graphical Association (NGA) in the continuing negotiations on technology.

Mr Tony Dubbins, NGA general secretary elect, has, however, already told a newspaper management seminar the original target of signing the national agreement on January 1 1985 is premature.

Some union officials believe that with a marked upturn in the profits of many provincial groups, the original enthusiasm for the national agreement is waning. The NGA strategy will probably be to sign individual agreements on single keyboarding in the next few months with a dozen groups which are in a position to take advantage of it.

Society officials remain hopeful that a national agreement will be

signed. They say evidence of progress in the talks so far with the NGA is found in the joint union-management survey of how much material would be amenable to single keyboarding, and in the fact that the NGA has conceded that the union cannot retain sole control of keyboarding.

Meetings with other print unions are expected soon.

Even if a national agreement is eventually signed the present draft will clearly be unacceptable to all unions. The only two concessions to the unions are:

• Companies will provide continuing employment for those affected by new technology "except when the commercial performance of a company makes this impossible."

• Retraining will be provided for employees who do move jobs, and there will be a single lump sum payment (or variant) for those who are moved to lower paying jobs.

The main problem for the unions will be presenting a common front to the employers while the technology cuts across old demarcation lines.

# Bill aims to curb lead level in paints

By Maurice Samuelson

AN ATTEMPT will be made in the House of Commons this week to control the amount of lead contained in paints sold in the UK.

A Private Member's Bill, to be introduced in the Commons on Wednesday, will propose statutory controls and require that all cans of paint should indicate their lead levels.

The Bill, to be moved by Mr Austin Mitchell, Labour MP for Grimsby, follows the failure of the Government to implement recommendations of the Royal Commission on Environmental Pollution.

One recommendation was that maximum lead levels in paint for domestic premises should be 600 parts per million (ppm), the same as the standard in the US.

The Paintmakers' Association claims that present lead levels are far lower than they used to be and denies that modern emulsion and gloss paints produced for retail sale present hazards.

The Bill suggests that all cans containing more than 600 ppm should bear a conspicuous health warning and information on statutory restrictions on their use.

# Revenue to press tax claim on £38m Lloyd's funds

BY JOHN MOORE CITY CORRESPONDENT

TAX AUTHORITIES are seeking to recover arrears of tax on more than £38m of funds allegedly misappropriated from more than 1,000 underwriting members of Lloyd's, the London insurance market.

Members were notified of the Inland Revenue's attitude at the weekend by Richard Beckett (Underwriting Agencies), the Lloyd's underwriting agency which forms part of Minet Holdings.

The agency company has told the underwriting members in a letter: "During the last two days it has become clear that the Revenue has hardened its attitude."

The Revenue's attitude throws into question the likely success of an offer by Minet to compensate the members for their missing funds. Minet made an offer of £28.17m after it alleged that funds belonging to the members of Lloyd's insurance syndicates had been misappropriated by former executives in the group for their secret benefit.

It was alleged that the money had been channelled out of the syndicates by the executives through companies which form part of the Alexander Howden group in offshore companies controlled by the former executives.

support of Alexander and Alexander Services, the parent company of Alexander Howden, whose companies were said to have been used to channel the money offshore.

The offer is conditional on all members assigning their rights to further recovery of the missing funds to a joint company controlled by Minet and Alexander and Alexander, and waiving their rights to sue both groups in the future. Members are split on whether to accept, and so far Minet has received firm acceptances from only 350 members.

Members have until July 19 to accept the offer. Underwriting members who form the syndicates under the management of the Minet interests face losses through trading at Lloyd's of up to £250,000 each and need the compensation money to help them meet their losses.

They have been given until July 21 to meet their losses as part of the market's solvency requirements. The Revenue's view is that the diverted funds, channelled out of the syndicates in the form of reinsurance premiums, were not a proper deduction in compiling the profits of the members for tax in the period 1970 to 1980, and the taxable profits were thus understated.

# BARR AND WALLACE ARNOLD TRUST PLC

## Further Progress

Summary of Results	1983 £'000	1982 £'000
GROUP TURNOVER	116,776	106,172
<b>Divisional Profits</b>		
Leisure & Holidays	274	310
Motor Distribution	1,219	787
Computer Services	45	228
Fuel Distribution	208	130
	1,746	1,455
Deduct Parent Company Interest and Expenses less other income	618	643
<b>Profit Before Tax</b>	1,128	812
Earnings per Ordinary and 'A' (non-voting) Ordinary Share of 25p	16.0p	11.4p
Total Dividend for Ordinary and 'A' (non-voting) Ordinary Shares of 25p	6.0p	5.0p
Dividend Cover	2.67	1.90
Net tangible assets per Ordinary and 'A' (non-voting) Ordinary Share of 25p	161.4p	153.9p

# Home banking unlikely until 1990s, says EEC

BY OUR FINANCIAL STAFF

HOME BANKING and cashless shopping - two of the biggest developments forecast for consumer banking, are unlikely to have any great impact until the 1990s, according to a study by the EEC.

But after that the "bank branch as we know it today will be drastically transformed as its traditional functions are replaced by services offered by remote terminals," it says.

Home banking - the use of terminals in the home to initiate banking transactions - is not yet widespread in any EEC country, though five including the UK have made some progress. The study says the time needed to install systems, high costs and security are the main obstacles to rapid development.

Cashless shopping with terminals at check-out points which enable shoppers to transfer money instantly from their accounts to the merchant's with a plastic card also faces problems. A key problem is how the cost of developing systems is to be shared between banks and

shops, but there are also doubts about the value of what is called electronic funds transfer at point of sale (EFTPOS).

A survey of European retailers showed them to be equally divided over whether EFT would benefit their businesses.

British banks were recently forced to delay a pilot scheme for a year because of disagreements.

The study does not doubt, however, that both cashless shopping and home banking will catch on by the end of the decade, with far-reaching implications for bank employees and customers.

It concludes: "There might also be implications for the control of the money supply and the subsequent control which governments try to exercise over the rate of inflation."

Report on the social implications of introducing new technology in the banking sector by Emil J. Richter, published by the Directorate-General for Employment, Social Affairs and Education of the EEC Commission.

# Exercises in efficiency are building a prosperous future for British Rail.

Greater efficiency in operations and administration achieved since 1979 is now saving British Rail £319 million a year. Output per man over the same period is up 10.8%.\*

A railways operating surplus of £62 million, before interest payments, was the highest ever recorded in the 21 year history of the Board.

"Our industry will prosper or decline according to whether we give our customers the service and quality they seek and whether

On the passenger business, traffic is expected to rise by 7% over the next 3 years.

## Building for the future.

Business growth and improving efficiency are underpinning the industry's future.

As a result, investment is projected to rise by 40% to £380 million in the next three years.

During this period there will be a saving of 25% in Government support for maintaining the national rail network.

This will not involve drastic service cuts, but will come mainly from further increases in efficiency and from more accurately matching service supply to customer demand.

The Railways will remain a big industry offering secure jobs to some 141,000 people. This will involve over the next three years, the recruitment and training of 10,500 newcomers.

In today's competitive market place, a vigorous and more efficient railway will guarantee a future for customer and employee alike.

they see it as value for money" (Chairman of British Rail, Dec '83).

Already, the signs are encouraging. The freight vehicle fleet, for instance, has been reduced by 55% since 1979 and is now better suited to Railfreight target markets. The improvement in freight vehicle utilisation averaged 14% annually between 1979-82 and rose to over 16% in 1983.

It turned a previous year's loss of £175 million into a surplus of £8 million. In terms of investment too, British Rail is standing on its own feet. Last year, £270 million was generated entirely from within the business itself.

## A healthy industry.

There is a bright future for an efficient, modern transport service that responds to customer demands.



\*Defined as train miles per member of staff.

## THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION PLC.

The Fifty-First Annual General Meeting of Shareholders of The Scottish Agricultural Securities Corporation p.l.c. was held within the Registered Office of the Corporation on 5 July 1984. Mr. James M. Stewart, General Manager of Clydesdale Bank PLC, Chairman of the Corporation, presided and, in moving the adoption of the Report and Accounts, said:

The last year has seen a slight upturn in activity for the Corporation. Loans completed totalled £290,000 as against £259,000 for the previous year. Repayment receipts at £1,175,000 (£1,272,000 - 1983) were slightly down. The end result is a reduction in loans outstanding of £299,000 to £14,206,000.

At the beginning of the financial year the Corporation's rate of interest was 14% but before it was reduced to 13% on 21st April and to 12½% on 20th October. At one time it was hoped that a further cut of ½% might be made but market forces have since prevented us from doing this.

The benefit to the Corporation of the repayment of loans at low rates of interest has been reflected in the redemption of £1m 6% Debenture Stock in 1981 and £2m 7½% Stock in 1983 is reflected in a rise in profit from £709,000 to £717,000. After payment of tax and a dividend of £17,000, the retained profit is £373,000. After redemption of the £1m 6% Debenture Stock in September this year there is a four year gap before the next redemption of Stock.

The Directors of the Corporation has seen an unusual number of changes in the past year but before I refer to them I would like to record the profound sense of shock and loss felt on hearing of the death of Mr. John S. Burke who wrote the Chairman's Report last year. Mr. Burke was succeeded by Mr. A. J. Reid, Senior General Manager (Banking) The Royal Bank of Scotland p.l.c. in December, who welcomed Mr. J. Inverarity of Cranley, Ltd. by Dundee, as our farming Director. Since the end of the financial year Mr. John F. Wilson retired from the post of Joint General Manager with the Bank of Scotland and from the Board of the Corporation. Although Mr. Wilson served for a relatively short time on the Board, he made a valuable contribution to the discussions and I should like to record our thanks to him for his past work and our best wishes for a happy retirement. He has been replaced by Mr. Thomas Bennie whom we welcome.

The Report and Accounts were formally approved and adopted and a dividend of 5 per cent duly declared.

The Lombard 14 Days Notice Deposit Rate is

9% per annum

Minimum deposit £2,500

The Lombard Cheque Savings Rates are

8½% per annum

When the balance is £2,500 and over

6½% per annum

When the balance is £250 to £2,500

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UK NEWS

LUCAS GIRLING AIMS FOR VOLUME-CAR MARKET

£4m plant for anti-skid brakes

BY JOHN GRIFFITHS

LUCAS GIRLING, the British car components group, has begun installing capacity at its Pontypool plant in South Wales to produce what is expected to be the first anti-skid braking system for volume-produced cars.

Such systems have been available only on executive cars from Mercedes, BMW, Audi and Honda. The systems on the West German cars add about £800 to the purchase price. Honda's is cheaper, at about £500, but less sophisticated.

Depending on orders by car makers, the company would also consider installing capacity at its Girling-Bremmen subsidiary in Koblenz, West Germany. Lucas Girling said three years ago that it was developing a system for less than £500 suitable for volume cars in Western Europe's 10m a year new car market.

Renault has set a UK sales target of 10,000 a year for its 25 model - the company's first new contender in the executive car market for nine years. The 25, with engines of between 2 and 2.7 litres and prices between £7,950 and £13,440 (including tax), goes on sale in the UK today.

EEC fine a 'serious injustice' BL says

By Kenneth Gooding, Motor Industry Correspondent

AUSTIN ROVER, BL's subsidiary, claimed at the weekend that it was the victim of a "serious injustice" when the European Commission imposed a fine of £200,000 for alleged abuses of EEC law on competition.

GIANT OF WALL STREET SEES LARGE POTENTIAL IN BRITAIN

Merrill set for expansion

BY DAVID LASCELLES

THE THUNDERING herd is coming to London, but Mr Bill Schreyer promises to keep it under control. Mr Schreyer is the new chief executive of Merrill Lynch, the giant of Wall Street whose profits exceed those of all London stockbrokers combined.

Although much of the debate about City of London reform has been spurred by the fear that foreign firms will invade the market banded together, Merrill Lynch has been anything but a boogymann.

One is by trying to become a primary dealer in UK government securities - gilts. This is, as expected, Britain goes over to a U.S.-style market where a select group of dealing houses bid for and make markets in government stock in return for the privilege of access to central bank funding.

He was impressed. "We see marvellous things opening up here." But lest that conjure up terrifying images of bulls stampeding down Threadneedle Street, he hastened to add: "We intend to proceed in a very solid and orderly way."

Another is by building up the very business that made Merrill big in the first place: retail stockbroking, selling securities to the man in the street.

"Our studies show that there is good potential for that in England. It's an underpenetrated market, and we would like to expand it." With hundreds of branches dotted round the U.S., Merrill pioneered modern day retail stockbroking with the Cash Management Account (CMA), which has now spread to the UK.

Security Pacific prepares for wider securities business stake

BY OUR FINANCIAL STAFF

IF THINGS go Security Pacific's way the large California bank could soon have the largest foreign presence in the British securities business.

cently has bid for Continental Illinois' London merchant bank which went on the block last week.

Asked whether he would buy a larger stake in Hoare Govett when Stock Exchange rules were eased to make it possible, he said: "I don't know whether the rest is for sale."

Mr Richard Flammson, the chairman, said in an interview in London: "We would like to be able to supply a full array of services." This would include stockbroking, underwriting, investment management, trading in a wide range of securities and futures instruments and merchant banking, especially corporate finance.

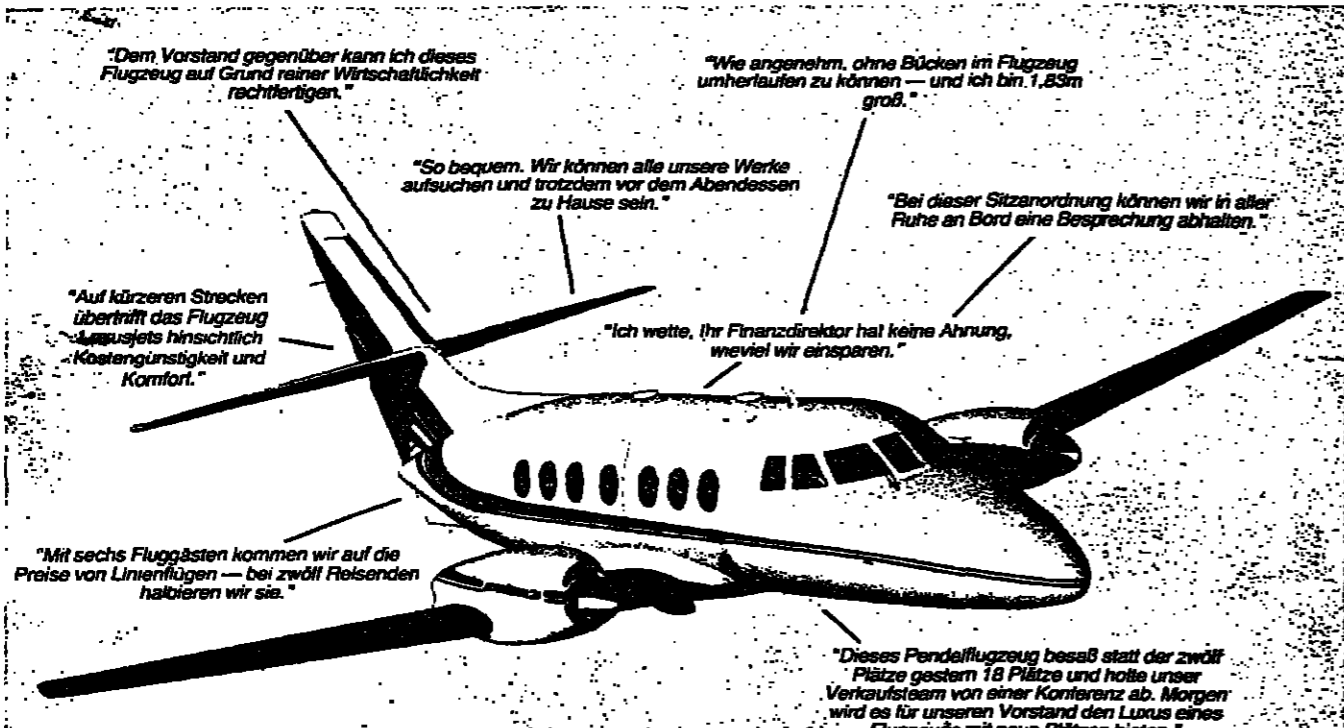
With about \$40bn in assets Security Pacific is the ninth largest bank in the U.S. with a name for well-managed, aggressive expansion into non-banking financial services.

The bank has gone into discount brokerage - cheap, no-frills stockbroking - on the home market, but cannot engage in underwriting.

Security Pacific was the first major foreign bank to take a direct stake in the London market when it bought 29.9 per cent of Hoare Govett, the stockbroking firm, three years ago. Since then it has bought a stake in Charles Pulley & Co, the small jobbing firm, and most re-

presently has bid for Continental Illinois' London merchant bank which went on the block last week.

Mr Flammson is hopeful that U.S. bank law will be reformed even though Congress has halted banking deregulation in the wake of the Continental Illinois crisis. "If banks can offer better services more cheaply, then the market will demand that they be allowed to," he said.



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Calling a spade a shovel...

A. H. Hermann, Legal Correspondent, finds that the proposed Consumer Council's Plain Language Bill is not self-explanatory

THE PLAIN Language Bill proposed by the National Consumer Council in Plain Words for Consumers, published last week does not go far enough to make plain language easily enforceable in the consumer field, but it may go far in convincing people that legal documents not only can but should be written for everyone to understand.

Examples of wordy, unclear, pompous and dull styles are within everybody's reach. One has to do no more than look at the small print at the back of an invoice for a domestic appliance, an insurance policy or a Department of Health and Social Security leaflet. Sentences stretching over 20 lines or more and stuffed with adjectives and em-dashes are found in most leases or tenancy agreements. Why is such outrage perpetrated, both on the language and on the consumer?

difficulty was made in the Consumer Credit Act 1974. The Act gives the consumer the right to see certain documents and to have them translated into plain English if necessary. Similarly, the Housing Act 1980 provides that certain information must be given to council tenants in a form "best suited to explain (the effects) in simple terms."

The Plain Language Bill proposed by the National Consumer Council follows closely the model of the New York plain language law, with the main difference that it does not provide for enforcement by class actions as the New York law does. Instead, it would give powers to the Director General of Fair Trading to enforce the use of plain language, and this is probably the only effective sanction.

Unfortunately English law is not much influenced by Lord Denning's impatience with documents which can be deciphered only with the help of a specialist and which the great majority of English speaking people cannot read to the end without getting completely lost. As Lord Justice Scrutton said: "When a document containing contractual terms is signed, then in the absence of fraud... or misrepresentation, the party signing it is bound, and it is wholly immaterial whether he has read the document or not."

In some common law countries that process has gone much further. New York and six other states of the U.S. have adopted plain language laws. A Bill modelled on the New York law is being considered by the parliament of Ontario. In Australia the New South Wales Contracts Review Act 1980 enables a court to say that a contract is unjust and void in whole or in part if it is expressed in a language which is not readily intelligible or is printed in a way which makes it difficult to read. Credit legislation in Victoria and New South Wales goes a step further. The director of consumer affairs may prohibit the use of a document which is not readily comprehensible.

Few consumers will have the means and courage to sue for damages. As always it will be difficult to prove the amount of the loss, and the fine of £50 (called additional damages in the Bill - a good example of how not to call a spade a spade) is quite inadequate. The requirement of clarity would apply to consumer contracts, including credit contracts and housing contracts, even if the other contracting party is the Crown. What a pity it is not meant to apply to the printed material distributed by government departments and failing to convey information on tax returns, pensions and other social security matters.

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Airlines clash on Manchester, U.S. flights

By Michael Donne, Aerospace Correspondent

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Advertisement for Base Rate from BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME. announces that from 6th July 1984 its base rate is changed from 9 1/4% to 10% p.a.

Advertisement for Standard Chartered Bank announces that on and after 9th July 1984 its Base Rate for lending is being increased from 9 1/4% to 10% p.a.



THE WEEK IN THE COURTS

Parole changes fall foul of courts

WHEN THE Home Secretary appraised his audience at the Conservative Party conference last autumn by announcing a sterner policy towards the release on parole of prisoners who had committed more serious crimes, he must have calculated only a minimal risk of his tougher penal policy falling foul of the law.

However, if the Home Secretary so far has won by three judicial votes to two, the proceedings in the courts have demonstrated a degree of judicial activism in reviewing governmental policy within a statutory framework that has implications far beyond the issue of parole.

The Home Secretary's policy affected essentially the release on parole licence of certain categories of prisoners. These included the reduction of the parole eligibility threshold from 12 to 6 months.

This part of the package, designed to ease the pressure on the prison population, came into force on July 1, and last week about 2,000 prisoners walked out of prison earlier than they would have with more to follow. Whether this provides anything more than temporary relief for the prison service remains to be seen. At the other end of the penal spectrum severe restrictions were to be imposed.

Those prisoners serving sentences of more than five years for offences of violence or of drug trafficking would be granted parole only when release under supervision for a few months before the end of a sentence would be likely to reduce the long-term risk to the public, or in circumstances which were genuinely exceptional.

Life sentence prisoners who had murdered police or prison officers, or been convicted of terrorist murders, sexual or sadistic murders of children, or of murders by the use of firearms in the course of robbery, would normally expect to serve at least 20 years in custody. The

changes affecting life sentence prisoners were particularly important in view of the dramatic effects of indeterminate and long periods both prisoners and prison staff.

The Home Secretary's decision did not involve going to Parliament for an increase in the present range of maximum penalties for specific crimes. Nor did it involve any attempt to influence the judges to pass longer sentences. Indeed, the new scheme would involve a greater degree of consultation with the Lord Chief Justice and the trial judge (if available) to decide the minimum period a life sentence prisoner should stay in custody before parole was considered. It was clear that the Home Secretary sought to achieve his objective by exercising his discretion to refuse parole more frequently than had been the case since the parole system was introduced in 1967.

The division of judicial opinion centred on what Parliament intended might be done by those responsible for operating the parole system. Sir John Donaldson, the Master of the Rolls, and Lord Justice Griffiths (in support of one of the two judges in the lower court) thought the Home Secretary's policy changes were not so unreasonable that the courts would be entitled to interfere. Since the policy was designed to assuage public feeling that the most serious offenders should ordinarily serve their full term, and that exceptional circumstances would always allow for some modification of the general policy, the courts could not say that he was acting unlawfully.

The dissenting judge in the Court of Appeal, Lord Justice Browne-Wilkinson, arrived at an opposite conclusion because he viewed the structure of the legislation as having given a large element of independent judgment to the Parole Board, which recommends release of a particular prisoner, without

which the Home Secretary may not exercise his discretion to release on parole licence.

The parole system was designed to ensure that each prisoner had his case for parole considered on its own individual merits, and that his conduct in prison and personal circumstances would be taken into account. It is inherent in the concept of parole that the Parole Board and the Home Secretary performing their twin roles weigh a number of considerations in each case.

The nature of the offence, the risk to the public of an early release and the social circumstances of the prisoner if released would be the prime considerations.

Parole, unlike remission of the sentence which is automatic so long as the prisoner has not lost time due to indiscipline, starts from the premise that the sentence of the trial court was right. The prisoner's subsequent change of circumstances may, however, indicate that it would be in the interests both of the public and the prisoner that he should not have to serve his full term.

If and when the case is referred to the Parole Board, it is bound to consider the case individually and, if it concludes that parole is appropriate, recommends release to the Home Secretary. The latter then has to make his own decision whether to grant parole.

The Home Secretary's new penal policy arguably falls foul of the structure erected by Parliament in that it does not simply say that great weight should be attached to the nature of the offence. It states that, save in circumstances which are genuinely exceptional the category of the original offence will be conclusive against a grant of parole. In this way it relegates the individual circumstances to more or less an inconsequential role.

Lord Justice Browne-Wilkinson concluded that the distinction, between a lawful policy

decision to give great weight to the nature of the offence and an unlawful decision to make that factor decisive, had real practical consequences.

For example, the conduct of a particular prisoner and his home circumstances may strongly point towards an early release and, if weighed in the balance against the nature of the offence, might produce a marginal position in which the decision to parole could reasonably go either way. The inflexibility of the Home Secretary's new policy would preclude the basic requirement to weigh all the circumstances of each case in order to reach a decision in each case.

Another ground of unlawfulness was that the Home Secretary was calling on the Parole Board to take account of his policy as a condition of the process of review. So the Parole Board would, in giving its advice and recommendation, be giving effect to the Home Secretary's policy. This was to confuse the separate roles of the two bodies involved in the parole decision-making. The board was being called on to make its decision on a factor that was imported by the Home Secretary's policy. Parliament had given an independent role to the Parole Board which was now being influenced by the Home Secretary's role. So the policy was doing what parliament decreed should not be done. Where policy was parcelled out as between two executive authorities, the courts would ensure that the one did not entrench on the other. The court would not interfere with the policy, but they would ensure that the policy decisions were properly allocated as parliament intended.

\* R v Secretary of State for the Home Department, ex parte Findlay and others, Times Law Report, July 7 1984 (the Court of Appeal gave the prisoners leave to appeal to the House of Lords).

Justinian

Law tribunal left to rule on QC's disputed fee

A HIGH COURT judge has declined to make any order in a dispute over a QC's entitlement to a £17,500 fee. Mr Justice Woolf, asked to rule that Mr Andrew Rankin had no right to the fee after dropping a client's case before it reached court, said the matter should be left to a joint tribunal of the Law Society and Bar Council.

Mr Thomas Patrick Taylor, a solicitor, of Moberley, Cheshire, who brought the action, was given leave to appeal.

Mr Taylor paid his solicitors £17,500 in advance as part of a £25,000 fee for Mr Rankin's services in a long and complex action. Mr Rankin returned his brief shortly before the hearing, claiming that Mr Taylor

was so unco-operative that it was impossible for him to continue.

The advance is still held by the instructing solicitors, Alsop, Stevens, Batesons & Co, of Liverpool.

Mr Taylor sought a declaration the money should be regarded as payment for solicitors' services only and not passed to Mr Rankin.

The judge said he had heard evidence from one side only. The solicitors had adopted a neutral stance and Mr Rankin had rejected an invitation to attend court.

The tribunal would be in a better position than the court to deal with the matter and it would be undesirable for him to pre-empt its decision.

June 1984



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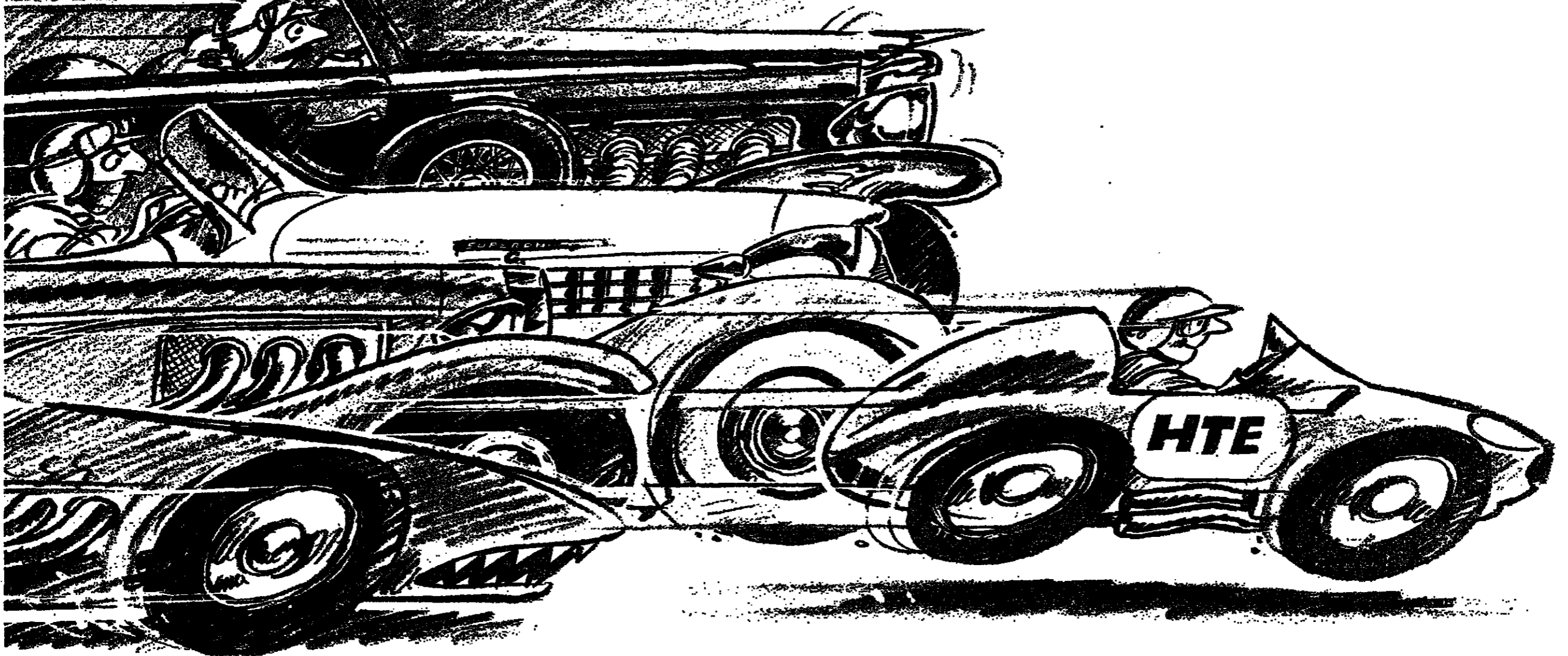
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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Scottish &amp; Newcastle

## How a brewer's expansion plans were upset

BY LISA WOOD

"THERE ARE always several parts to any strategy," says Alick Rankin, group managing director of Scottish and Newcastle Breweries, Britain's fourth largest brewer. "No one setback is critical."

While this may be true, the icy tenor with which Rankin delivered this comment on the recent official scuppering of his bid for J. W. Cameron, a leading Northern brewer, suggests that his overall strategy to take the group beyond its current recovery has obviously been dented.

Indeed, while the group's much improved pre-tax profit reported last week, up 34 per cent to £55m, validates S & N's recovery strategy to date, stock market analysts believe that Cameron would have been a vital step in enabling S & N to boost the market for its own brands prior to launching itself on another diversification programme. Previous attempts to widen its base in the 1970s, with the exception of hotels, were failures.

The acquisition of Hartlepool-based Cameron would not only have boosted S & N's brewing capacity in the North East which, alongside the Scottish market, is the group's traditional market base, but would also have alleviated a structural weakness in the group. For despite being deemed Britain's fourth largest brewer by output—it has some 11.5 per cent of total UK beer production—S & N has a much smaller tied estate of public houses than its major competitors. In the increasingly competitive beer market Cameron would have brought some 450 public houses to a group heavily dependent on the free trade.

At the time the proposed deal was announced in April Rankin said: "We feel like the cat that got the cream." Cameron will be a major plant in S & N's strategic plan. The

intention, he said, was less to enlarge the company's brewing business than to reinforce it in preparation for pushing into new businesses in two to three years' time.

Critics, including CAMRA, the real ale lobbyists, successfully argued that the acquisition should be referred to the Monopolies and Mergers Commission. The termination of the deal by S & N last month, subsequent to it being referred to the commission by the OFT, has not, Rankin maintains, "automatically ruined" S & N's plans.

Although his future intentions are not yet clear, it is plain that a coherent management strategy is currently bearing fruit.

According to Rankin, the group's performance in 1983-84—a substantial improvement following the slump of 1981 when pre-tax profits fell to £32.2m—is not the result of a change in strategy but one of analysis and execution.

"There was not any one problem in the 1970s," maintains Rankin, who took over as group managing director in May 1982. "If one was any bigger than any other, though, it was the need to get our larger strategy right."

Just how badly things had gone wrong for S & N is illustrated by the fact that between 1968-69 and 1976-77 profits advanced by 150 per cent, an increase materially better than any other major brewer. In contrast, between 1976-77 and 1978-79 profits rose by only 5 per cent—the poorest record for any company in the industry at that period.

In the early years S & N saw its long commitment to the free trade (i.e., outlets not tied to a particular brewer) pay off. The free trade sector was buoyant in a growing beer market and S & N had an edge on the market because of its



Alick Rankin: his hotels have been a rare success in S & N's diversification

experience. While other major brewers achieved "national" status through acquisitions and mergers, S & N retained its strong roots in the North and forged long supply lines South from its centralised production facilities in Scotland. Huge distribution depots, however, brought their own problems, both in terms of labour relations and quality.

About that time S & N was looking to diversify. Early forays, including a golf course in France, proved to be expensive mistakes. An attempt was made to gain entry into the larger market via a consortium with Guinness and Courage. However, part-ownership of the Harp brand proved disappointing.

By the late 1970s the encroachment of competitors on free trade left S & N with a serious brewing over-capacity. S & N responded initially with a major group reorganisation, a move followed in 1982 by a second reorganisation after the abrupt departure of Robert King, the chief executive, as a result of differences of opinion in the boardroom.

"Efforts to put major problems right resulted in the group talking on a large number of people. We became over-managed and very centralised," says Rankin.

Over the past two years, though, a new slimline board has been implementing a strategy which is resulting in the group winning back market share in Scotland and the North East, without cutting margins, as well as developing other strengths, such as its Tinsie hotel business which reported pre-interest operating profits up by 90 per cent this year to £5.5m.

Three geographical divisions now have responsibility for the production, distribution and retailing of the group's beers, including its larger brands such as Kestrel, which was developed in the late 1970s. Previously each function was handled separately.

"There is now a much closer relationship between the wholesaler and the retailer," says Gavin Reed, a main board director. "Decisions are taken at local level which means problems can be resolved more quickly."

The three large distribution depots have been closed and replaced by nine smaller ones, a move which Rankin says has improved labour relations. Cutting long supply chains has improved the quality of products with faster stock turn-around and closer control of stocks.

More than 6,000 jobs have been lost with particularly

large cuts among administrative staff at group headquarters in Edinburgh. Some 200 more jobs are to go when the group closes its Holyrood Brewery in Edinburgh next year and production will be concentrated in three modernised plants in Newcastle, Manchester and Foun-tainbridge, Edinburgh.

At Manchester the group is about to build a new packaging plant alongside its lager brewery, bought from the Harp consortium in 1979.

There have also been production economies. At the high-speed canning plant at Fountainbridge, the fastest in the industry, 36 people now produce 1,625 cans a minute. Four years ago it produced 1,000 cans and 78 people worked on the shift.

Cash flow has been given a boost by the disposal of Gough Brothers, the group's small office-leisure business which Dr Edward Kilkenny, managing director of the wines and spirits and hotels division, said was not big enough "to have much value."

Kilkenny hints that part of his strategy is to acquire country house hotels on the edges of major conurbations where a more individualistic style would be on offer. "A logical second step after we finish the current £30m refurbishment programme of our existing hotels is more acquisitions," he says. "Then if we are still on course we might think of going abroad."

Rankin refuses to be drawn as to where S & N may look for diversification in an industry where more and more major brewers are increasing their leisure market portfolios.

Questioned on whether S & N may yet look for a small brewer to acquire in the Midlands or South under an enigmatic smile. On whether or not S & N is now a regional or a national brewer he replies: "We are a regional brewer with national interests."

The key element of his strategy, he stresses, is to "use the correct amount of time" to make the central beer business very strong in order to provide finance for other activities after a couple of years of consolidation.

"The latest results suggest S & N is on course, despite the Cameron setback. But it has been a hard slog and the workforce is still slightly sceptical. "We have seen so many mistakes in the past," says Ronnie Robertson, a senior shop steward of the central beer business, "that the big question is still whether or not the company has got its sums right."

But, he added: "You really have to work in this company to appreciate the changes that have been made in the past few years."

## Practical creativity urged

Michael Dixon on likely effects of the Education Secretary's plans

WORTHY BRITISH citizens turned cynical by the education system's neglect of developing the skills of designing and making things, still cannot bring themselves to believe it. But it's true all right, being set down in black and white by Sir Keith Joseph, Secretary of State for Education and Science. It's just that amid all the furore over teachers' salaries and the changes he has just proposed in academic examinations, it's been forgotten.

In a keynote speech earlier this year—known familiarly as "the Sheffield speech"—Sir Keith propounded a new list of what every child should be able to do by the age of 16. Remarkably, he included not only a long set of academic attributes, but also a batch of less familiar practical skills.

Pre-eminent among them was the ability to "design and make something." More challenging still, the child should be able to do so by using only "a limited range of materials and calling on a restricted range of concepts." To dispel any notion that he wanted to create an even larger body of semi-literate engineers than already exists—which is not to say that all engineers are so cursed—Sir Keith added the crucial rider that the children should also be able to "give an account of what they have done and (of) the problems they encountered."

Schools should develop this foundation of industrial creativity in all pupils, university candidates included, he urged. Designing and making was not just for academically slow children.

Whether or not Sir Keith's declaration leads to an early change in school curricula, his stress on the need for well-learned practical skills represents a fundamental sea change in British educational policy.

His change of course receives a particularly warm welcome from Professor Michael French of Lancaster University's engineering department. He has for years been complaining of "gross neglect" of the skills of practical design, not only by school teachers but by the staff of universities, including a good many of his fellow engineering dons who concentrate their teaching on the theoretical

aspects of the subject.

The creative engineers of Britain's first industrial revolution, such as Henry Maudslay, who did much to open the way to mass production by inventing the slide-rest, typically had little time for academic work. If they attended school at all they mostly left it very young and learned their designer's and maker's craft on the job; sometimes—as in Maudslay's case—without formal apprenticeship.

By contrast, Professor French says, today's engineering designers must from the outset "be able to do their sums." Yet with few exceptions children showing promise in mathematics and science are steered by their teachers into studies which become more and more theoretical in content, and often increasingly narrow in range.

One result is that academically successful children coming from the schools express little demand for degree courses with a strong practical content of any kind, and few courses therefore include one, even in engineering departments. Moreover, school classes in technology, design and crafts are largely viewed by teachers as fit only for children who cannot do sums and are no great shakes at any other intellectual pursuits either.

## Workshop space

While welcome, Sir Keith Joseph's plan to break this practically counterproductive educational habit will be hard to carry into effect.

Enabling 80 to 90 per cent of all pupils to practise effectively the skills of designing and making will require wholesale expansion of facilities in schools: workshop space, equipment and, above all, appropriately skilled teachers. Compared with standard academic classes, the cost per pupil of productive practical lessons will be heavy.

The question of which kinds of teaching are to be financed by 99.5 per cent of the state's school budget is decided, not by central Government, but by local education authorities whose spending decisions are watched closely by teachers' unions. Expecting them voluntarily to cut expenditure on established studies so as to develop hitherto disregarded activities calling for different

types of teachers, is a bit like expecting the management and unions of British Rail to take the initiative in developing new forms of road transport.

Even when school budgets were growing generously the local education authorities and teachers' associations were not enthusiastic about radically new departures. They can be relied on to be even less so as a result of the Government's cuts in spending on schools.

How to loosen the dominant belief that all any competent scholar needs is training in the academic kinds of thinking promoted by honours degree courses, may indeed be the decisive problem for those wishing to revitalise British engineering design. For a study recently published as part of Harvard University's research project on human potential suggests that academic education which concentrates on developing the verbal and numerical aspects of intelligence, tends to leave lying a different kind of intelligence which is essential to excellence in designing and making.

This kind of intelligence—one of seven distinct varieties which Dr Howard Gardner, the author of the study, claims to have identified—is "spatial." It is what enables people faced with a problem which needs solving by a machine of some sort or other, to work out in their imagination what components would be required and how they would fit together and interact.

It is evidently a "visualising" ability which does not coincide with high levels of the kinds of intelligence which enable people to deal expertly with so-called symbol systems based on either numbers or words. But unless people have the spatial intelligence, no matter how good they are at sums, they are in many cases most unlikely to become effective designers and makers.

If Dr Gardner is right, Sir Keith Joseph will need to go well beyond his present measures to achieve the aim of regenerating the UK's industrial creativity. The schools will need to be equipped with systematic means of identifying and developing spatial intelligence in children, and from long before the age of 14 to boot.

Frames of Mind, William Heinemann, £16.



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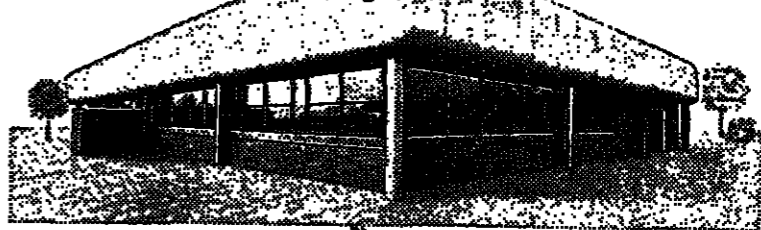
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Architecture  
Colin Amery

Stirling triumph at Stuttgart

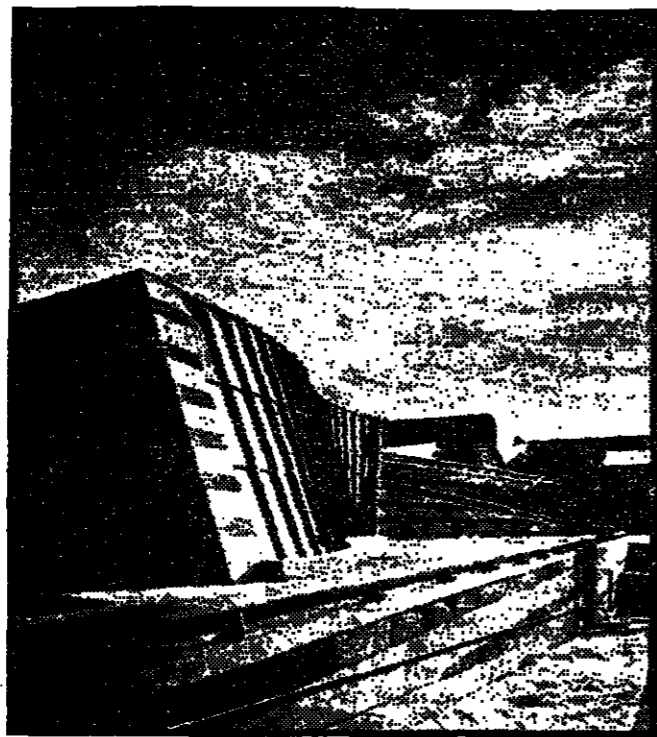
There are not many new public buildings that impress by their monumentalism, fascinate by their ingenious planning and linger in the mind because of their original beauty. The new Staatsgalerie that opened recently in Stuttgart does all these things.

It is the creation of a British firm of architects, James Stirling, Michael Wilford and Associates, who won a competition in 1977. There is no doubt in my mind that this new art gallery, with its adjoining small theatre, library and music school, is one of the best new buildings in Europe. It represents a real breakthrough for the new architecture, a culmination of the attempts to recapture an architectural language that acknowledges the past while evolving an unequivocally new style.

It is a joy to find a new work of British architecture of such distinction, originality and quality—go to Stuttgart; it has to be seen. It stands on the Komrad Adenauer Strasse next to the 1837 neo-classical Staatsgalerie. The road is an unpleasant autobahn and the approach to the gallery are through unattractive underpasses from the green and pleasant centre of rebuilt Stuttgart. I first saw it in the low sunlight of early evening when the travertine and golden sandstone gleamed and the solid forms and planes had a sharply dramatic life.

The plan of the new galleries is a classical one based on Schinkel's Alte Museum in Berlin. A series of rooms form a squarish "U" around a circular open drum. To allow mandatory access across the site a footpath has been incorporated that wanders up a ramp and round the inside of the open drum. In each room you enjoy a memorable architectural experience without, in fact, visiting the museum interior.

I loved this rich processional quality—you are lured by the curves, seduced by the surfaces, fascinated by tempting glimpses while being moved by the monumentality. There are many architectural references to track down throughout the museum. Externally hints of ancient Egypt, the Delian Roman ruins and Herculaneum



A new building that breaks the mould—Stuttgart's Art Gallery by British architect James Stirling

are set off by slightly coy games with the vocabulary of High-Tech architecture.

This is part of the architect's intentions. James Stirling has written that he wanted the gallery to be both monumental and populist, both "abstract" and "representational"—uniting the two streams that have flowed through his work since the 1960s. It is a serious and fascinating idea that almost comes off. I do not feel that the overcausal and brightly colored metal handrails or the assemblies of constructivist steel and glass elements that are suspended over entrances do much more than air the unsuitability of such industrial fragments for a serious architectural setting.

It is an amusing notion to play with giant modern constructs as though they were toys but it is a self-conscious, indulgent game. What is more successful is the use of loose, wavy forms for the huge

ramp or a glass lift (that makes sly jokes at the expense of the Pompidou Centre) will take you into the main gallery floor. This is a glorious expanse of rooms, much larger than they appear from outside.

Each room has a coffered ceiling that is complemented by a witty use of a fragment of cornice to conceal the lighting. Doorways between the rooms have architraves with pediments that incorporate the room numbers in a traditional way (a pity that Roman numerals were not used) and at floor level the stone skirting is a pleasing detail. From the galleries there is access to the sculpture courts around the open drum. These are dramatic outdoor spaces under the jutting coffered cornice that inevitably bring to mind Lutyens' indoor/outdoor staircase hall at Viceroy's House in New Delhi. The tea windows are appropriately tall and there is real architectural power here weakened only by the unnecessary planting.

The open drum which can be glimpsed from the sculpture court in fact dominates the museum by its presence as an open heart. It will in time have greenery growing out of its top wall so that the impression of a ruined colosseum will be complete.

James Stirling's achievement at Stuttgart is a major one. Many of the complex threads of his thinking have come together here in an inspiring way. He had a good budget (total cost DM \$2m) and superbly careful contractors and a generous client who has consistently understood the aesthetic intentions of the architects. This is a mature and intensely satisfying place that embraces the gift of European symmetry and enhances it with an English understanding of the Picturesque approach to monumentalism.

This is the new architecture that has emerged by a painful process of evolution out of the chrysalis of the continuing Modern Movement. It is rich and powerful without being dominant and vacuous—Stuttgart is fortunate indeed to have Stirling's best building. Make the pilgrimage and you will see how satisfying the future of contemporary architecture can be in the right hands.

Arabella/Glyndebourne  
Ronald Crichton

Arabella, an absentee at the moment from the London repertory, came on Saturday to enrich Glyndebourne's reputation as a place for Strauss. Production and performance (sponsored by John Payer Special) had an assurance which stilled feelings that Arabella has had her share of outings in recent years, that it was the return of *Die ägyptische Helena* or *Daphne* or *Dance*. There was a cordial clamorous reception on enthusiasts' near me, following his excitement, forgot that loud, unmusical braves can destroy the atmosphere as brutally as boos.

Haitink conducts (Stephen Barlow takes over for four performances later in the run). John Cox produces. Julia Trevelyan Oman makes her Glyndebourne debut as designer. Teamwork has been close even by local standards. But because so much perception has been directed on the ins and outs of Strauss's by no means foolproof vocal and orchestral texture—praise la musica.

Where many conductors turn Arabella into a stream of

undifferentiated, effervescent mush, Haitink makes the score at once stronger and more intimate than usual, giving the profuse scraps of material woven by Strauss with such dazzling skill a sharp, recognisable profile and resilience, throwing light and shade alike into passages habitually scurried through. The blending of colours was constantly revealing, with woodwind (the LPO on the first night) and strings (the first act) yet there was little of the familiar Straussian struggle between voices and orchestra.

On stage producer and designer recreate corners of Vienna of precisely the period Strauss had Hofmannsthal wanted—the 1860s. Miss Oman has noticed a fact determinedly ignored even by some eminent Glyndebourne designers in the past, namely that in "period" reconstructions it is not only unnecessary but improbable to have every detail,

down to the last pelmet tasseled, of exactly the right date. Only the Fanfals of this world and their decorators worry about such things. Over the slightly declassified hotel in which the Waldners lodge, in which new and not-so-new furnishings have accumulated against a heavy rococo background, there hangs the unmistakable air of Viennese fug and mustiness. "For the Viennese," Alan Freyca-Jones has written, "have turned musiness into intrigue, it spits the function of a pinch of salt, of a drop of scent in the bath."

The ballroom of act 2 is all heavy, carved, brown wood, so full of white-clothed tables that people keep on knocking things over and breaking glasses. There is so little room that the dancers (Haitink gives even the waiters a profile) can't spill over onto the main area too often. Mr Cox has wisely concentrated on the intriguing, making Zdenko/Zdenka's assignment with Matteo and Mandryka's reaction more credible than usual, even contriving to make the Fickermill (intelligently sung by Elter) a little reasonably interesting. I can't remember a more convincing account of this difficult act, in spite of the producer's curious failure with Arabella's suitors—there more to Matteo than Keith discovers, and the three besotted young counts are more tedious than ever—perhaps to accentuate the superior attraction of Mandryka.

The American Ashley Putnam, who sings Arabella, has greatly matured since her Glyndebourne Musetta of 1978. She was cold and glibly at first, but by the time she reached the monologue already mentioned was singing with impressive authority. The top of the voice, true and secure, does

not flow with the ideal Straussian ease, but Miss Putnam sailed through the tricky imbrolio of the last act with calm and touching dignity.

Sister Zdenka was another American, Gianna Rolandi (Susanna in this year's first *Figaro* cast)—a clever performance, equally taking as podgy disguised boy and as distressed, disgraced girl. As the girl's mother Regina Sarfady was fine once she switched off the full power. As their deplorable father Count Waldner, Artur Korn (valuable artist) successfully disguised the natural splendour of his voice in the interests of character.

Mandryka, the handsome stranger who so magically and opportunely appears from distant regions lower down the Danube, is the devil of a part, demanding physical qualities and manners which singers either have or have not. It can be done by taking thought, as Fischer-Dieskau showed at Covent Garden many years ago with a brilliant composite portrait built up from outside inwards and, in retrospect, not wholly plausible. The best Mandryka I have seen was Eberhard Wechsater in Vienna, his unselfconscious magnetism and impulsiveness entirely natural.

Glyndebourne's wild seigneur from the plains is the Dutch baritone John Brückner, who Keith discovers, and the three besotted young counts are more tedious than ever—perhaps to accentuate the superior attraction of Mandryka. Ashley Putnam, who sings Arabella, has greatly matured since her Glyndebourne Musetta of 1978. She was cold and glibly at first, but by the time she reached the monologue already mentioned was singing with impressive authority. The top of the voice, true and secure, does

Bob Dylan/Wembley Stadium  
Antony Thornecroft

It has never been Bob Dylan's style to pander to an adoring fan base. He has had 70,000 fans want to follow him out to Wembley, fine. The distance between the artist and his acolytes is stretched even further when he is a micro dot on the stage, his guitarist Mike Taylor in fine form, gave him a drive which matched his up-beat re-interpretations of what were mainly his old, old hits.

Bob Dylan was as his most recalcitrant at Wembley on Saturday. He almost seems to enjoy being perverse. In "A hard rain a-gonna fall" he varied the last line of the chorus so that the throng singing along were continually left in the air in "Maggie's farm," a song which has been unofficially adopted as the Labour Party anthem, he rushed through the lyrics, giving the audience no time to enjoy their relevances. And yet, by the end, they had caught up with Dylan and nailed the man. In "Like a rolling stone" they took over the song and brought it to a resounding climax. And Dylan probably enjoyed their pleasure.

It was an intriguing affair. It lacked the swarty atmosphere generated by Elton John at the

same venue a week earlier. There was no giant screen to bring the star into the vision of the thousands. There was little attempt to communicate. But Bob Dylan is a genius and on this showing he can also be classified as a rock genius. His British born guitarist Mike Taylor in fine form, gave him a drive which matched his up-beat re-interpretations of what were mainly his old, old hits.

And when the band left the stage and Dylan, dressed like a Victorian in a black frock coat but a creditable intense black bearded 43-year-old, was alone with his guitar, a generation rolled away and the lyrics, the most compelling in post-war music, could be heard again, most notably with "It's alright ma (I'm only bleeding)." Then it seems right that he should be the great non-conformist who ironically has been adopted by "movements," and that he should be apart, giving little in the way of entertainment but a great deal in emotional creativity. A Bob Dylan concert may not be fun but it is certainly an awesome event.

Obituary/Dame Flora Robson

Flora Robson, who died on Saturday aged 82, was one of the outstanding actresses of the century. Her major successes concentrated in the three decades after she made her London stage debut in 1921.

She was born in South Shropshire, Co. Durham, the daughter of a sea captain, and after winning the RADA bronze medal played in repertory first with Ben Green and then with J. E. Fagan's Oxford Playhouse Company. It was in Fagan's production of *Heartbreak House* that she met another young aspirant, Tyrone Guthrie, who commented later on this "tall, dark girl with beautiful grey eyes."

With Guthrie she moved on to the Cambridge Festival and the Old Vic in the 1930s, a leading artist in company with Charles Laughton, Olivier, Gielgud, Richardson and Guinness. Guinness has said she was possessed of "the most beautiful voice of a woman in the theatre of our time."

She never married, although for a long time she was inseparable from Guthrie. She later spoke of loneliness and heartbreak, both in interviews and

the most recent biography written by Kenneth Barrow. Her celebrated stage roles included *Vanya*, *Isabella*, *Gwendolen* in *The Importance of Being Earnest* before the war and, in the late 1950s, Mrs Alving in *Ghosts* and Miss Tina in *Michael Redgrave's The Aspern Papers*, a second *Gwendolen* and *Jane's role* was that of the governess in *The Innocents* (1952).

Her film career was sponsored by Laughton and Alexander Korda, for whom she played the Dowager Countess in *Gathering of the Great* (1934) and the ageing Queen Elizabeth in *Fire Over England* (1937). In both roles she evinced a still gravity and flickering, disappointed emotionism that many took to be indicative of her private life. She commented humorously on her liability to be type-cast as spinsters, housekeepers, nuns and lonely queens. Her last stage appearances were in Rodney Ackland's *The Old Ladies* (1969), as Queen Elizabeth again at the Edinburgh Festival of 1970 and, four years later, as the narrator of *Peter and the Wolf* at the Brighton Festival. She was made a DBE in 1960.

Civil Service Arts Club Association exhibition

Sir George Moseley, permanent secretary, Department of the Environment, will formally open the annual exhibition of the Association of Civil Service Art Clubs, which is being held at the Banqueting House, Whitehall, at 5.45 pm on Tuesday August 14. The exhibition will be open Tuesday to Saturday between 10 am and 5 pm, Sundays 2 pm to 5 pm, from Wednesday August 15 to Wednesday August 22.

RPO receives £100,000 boost

The RPO is to receive the largest sum ever given by a sponsor for a major music event in London. Bankers Trust is contributing £100,000 towards the André Previn Festival on the South Bank in June 1985. The two-week event celebrates Previn's debut as music director of the RPO and among the artists taking part are Ellis Fitzgerald, Oscar Peterson, Vladimir Ashkenazy and Pinchas Zuckerman. During the current season the RPO will receive £300,000 from sponsorship.

Is there life after the GLC?

In the campaign to save the GLC and the Metropolitan Councils, the arts have figured prominently, but then there is much at risk should those authorities be abolished. At the outset, when the Government issued its arts consultative document to accompany the White Paper *Sustaining the Cities*, it maintained that the boroughs in London and the districts outside would make up the loss of financial support for the arts after abolition. Special arrangements were to be made for the South Bank and a number of prestigious arts institutions, which were so random as to suggest they were the only ones the Minister had heard of.

However, the great bulk of arts bodies were assumed to become the responsibility of the lower tier of authorities. In 1983/84 the funds made available to the arts by the seven councils under threat amounted to some £32m, of which the GLC alone was responsible for nearly £20m. To suggest that a sum of such order could be provided by rate-capped boroughs and districts bounded on the absurd, and somewhat belatedly, the Government recognised the fact by announcing that from 1986—the proposed date of abolition—an extra £34m would be made available for

the arts. The Minister for the Arts, Lord Gowrie, claimed that this money was his response to consultation, but there can be little doubt that the arts lobby had a vital role to play. The Minister has attempted to buy off the arts in order to prop up the Government's case for abolition of the GLC and the MCCs. But those involved in the arts should not allow themselves to be blinded to the crisis which will surely follow abolition.

First, the extra money takes no account of the likely budgetary growth in GLC and MCC arts expenditure between 1984 and 1988. In the case of the GLC, arts expenditure doubled in real terms between 1981 and 1983, and even with mounting financial difficulties the trend will continue upwards. Thus the anticipated short-fall for the arts in London alone, should abolition go ahead in 1986, will be between £5-7m—a figure equal to the current combined arts spending of all the London boroughs excluding the City. Secondly, the Gowrie money is earmarked for the more established arts centres in London and the regions. The Arts Council will administer

£16m of the total and there seems little chance that any will filter through to the community and ethnic arts sectors which, in the case of the GLC, have been such a prominent feature of its arts policy. Thirdly, the extra central support will undoubtedly exert a downward pressure on future Government funding for the Arts Council. Since 1979 Gov-

ernment expenditure on the arts has only looked generous compared with the cut-backs in certain other areas of public expenditure. In real terms there was a decline in the Government's arts funding up to 1983-84 and the 4.6 per cent real increase in 1984/85 is largely attributable to a 15 per cent increase in funds to the national companies. All increases must be welcomed but the record does not justify some of the wilder claims by

ministers that the arts have done very well under the present Government. In comparison with the GLC, Lord Gowrie has failed woefully. If the GLC is abolished I believe we will witness a dramatic return to the narrow-minded, middle class, white, male dominated attitudes which are so characteristic of much of national arts funding. Hundreds

of festivals on the South Bank, the open foyer policy in the Royal Festival Hall, the lakeside concerts at Kenwood and Crystal Palace. The list is long and impressive and well received by Londoners whose rates pay for it all now that the GLC has ceased to receive any central government funds.

The GLC is not responsible for bringing politics into the arts—the two are already inextricably linked and we have simply been honest enough not to attempt to deny it. The decision to abolish the GLC and the MCCs is overtly political and the consequences for the arts are far reaching. Under such circumstances it reveals confused thinking for Ministers to accuse us of using the arts as part of the campaign simply because we have been strident in pointing this out.

At County Hall we make no secret of our determination to fight abolition to the end and have brought to our overall campaigning a level of sophistication that has clearly taken the Government by surprise. In the Commons on April 11, I said the GLC would humiliate the Government. The recent Paving Bill defeat in the Lords was only the beginning of that humiliation. Mrs Thatcher has still not yet appreciated the irony of the GLC's location at Waterloo.

Tony Banks MP, former GLC arts chief, fears for the future

of the GLC's present clients (and we have more than the Arts Council) will be forced to turn to the boroughs and many will be bitterly disappointed. Not simply because London boroughs vary enormously in their attitudes towards the arts, but by 1986 even the most progressive will be struggling to maintain vital services in the face of rate-capping. Of course the national centres will survive —Mrs Thatcher appreciates the value of Shakespeare, opera and

ballet—but will she also care if major regional theatres, arts centres, dance groups, film workshops and touring companies go to the wall? This has always been the stark reality of abolition and the Gowrie money has done nothing to change it. The Labour GLC from the outset in 1981 rejected the concept of "art for art's sake" in a city faced with a spread of social problems. The arts must be related to the wider problems of unemployment, homelessness, poverty and urban decay. To stand the arts apart from such vital social issues would mean to condemn them to the position of an irrelevancy, the icing on the cake, to be enjoyed by the wealthy and enlightened. For the record, this does not mean the GLC has sought to re-write Shakespeare to take account of the problems of Newington. Rather, we supported companies that made Shakespeare more readily accessible. The same is true of opera, ballet and other art forms. Who else but the GLC in London would support the factory and shopping centre concerts, the

Arts Guide

Music

**VIENNA**  
Vienna's Musical Summer: Vienna Symphony Orchestra conducted by Erich Binder with Thomas Christian, violin; Smetana's *The Bartered Bride* Overture, Dvorak's *Violin Concerto* and Tchaikovsky's *Suite No 4* (Tue). Also with the Vienna Symphony Orchestra conducted by Lawrence Foster with Paul Badura-Skoda, piano, Beethoven's *Prometheus Overture*, Brahms' *First Piano Concerto* and Mendelssohn's *Fourth Symphony*. Both in the Arcade Synagogue, both in the Vienna City Hall (4280/2085 and 2095).

**LONDON**  
City of London Choir, Rrompton Choir and the Royal Philharmonic Orchestra conducted by Donald Cadmore with Sheila Armstrong, soprano and David Wilson Johnson, baritone. Brahms' *German Requiem*, Vaughan Williams' *Dona Nobis Pacem*, Royal Festival Hall (Mon), (9283191).  
Yehudi Menuhin School Orchestra, conductor Peter Nozic, David Johnston, tenor and Megumi Fujita, piano. Grieg's *Hoboy Suite*, Mozart's *Piano Concerto in G, K. 413*, Britten's *Les Illuminations* and Elgar's *Introduction and Allegro*, Royal Festival Hall (Tue), (9283191).  
London Symphony Orchestra directed from the violin by John Georgiadis. Vaughan Williams' *Sea Pictures*, Beethoven's *Violin Concerto* (Mon), (938 8881).  
London Mozart Players: A farewell concert for Harry Blech, conducted

by him. The last symphonies of Haydn, Mozart and Schubert. Queen Elizabeth Hall (Wed), (9283191).  
Golden Moments of Italian Opera: The London Symphony Orchestra conducted by Richard Armstrong with soloists Rosalind Flowerlight, Jean Rigby, Charles Craig and Neil Howlett. Barbican Hall (Wed, Thur).  
**PARIS**  
Paul Kuentz Orchestra and Choir, Henryk Szeryng, violin: Mozart Concerto K. 189, Concerto K. 271a, Concerto K. 210 (Tue) Saint-Severin Church (833 8761).  
David Oistrakh, piano (Wed), Concerto Georges Pompidou (278 7895).  
Mozart Festival - Orchestre de Paris: String Quintet K. 614 and String Quartet K. 516 (Mon) Saint-Merri Church (563 0786, 1pm-6pm).  
Mozart Festival - Orchestre de Paris with Daniel Barenboim as conductor and piano soloist, Kathleen Battle, Ann Murray, David Rendall, Matti Salminen. Orchestre de Paris Choir conducted by Arthur Oldham: Piano concerto No. 25, K. 594, Requiem, K. 626 (Thur) Salle Pleyel (563 0786, 1pm-6pm).  
Ballet's *Scenarale* (Mon, Tue) Sorbonne. Grand Amphitheatre (251 6911).  
**NEW YORK**  
New York Choral Society (Carnegie Hall): The 24th annual of songs, in which audiences are encouraged to participate (even lent a score) features this

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Monday July 9 1984

## Running just to stand still

IN COMPARISON with what politicians and futurologists used to call the population explosion, the Third World debt crisis is about as dangerous as a stock of dynamite against a thermonuclear device. This is the central message of the World Bank Development Report, published this week. The report will have to fight hard for attention at a time when international economic policy-makers are preoccupied with debt to the exclusion of almost all other issues; and the Bank does not help its own cause by deliberately fudging some of the more alarming implications of its population analysis. For current hopes about a satisfactory resolution of the debt crisis. But for anybody interested either in what the world may look like in the 21st century or in how the major Third World borrowers may behave towards their creditors in the next decade, it is well worth reading between the lines. Some of the difficulties of economic management in countries whose populations are growing by 2.5 per cent a year like Brazil, 3 per cent like Nigeria or even 4 per cent like Kenya, are obvious enough. On current trends Brazil's population will not stabilise until it reaches 304m, and Kenya's will increase nearly tenfold to 153m in the next century. Simply to prevent their people sliding even further into poverty, these countries require significant real economic growth rates—a fact which must always be borne in mind when assessing what might otherwise seem enviable growth figures.

### Subterfuge

When viewed in per capita terms, the economic projections in the report are extremely discouraging for some parts of the Third World: even on the most favourable assumptions about both domestic and international policies, per capita incomes will continue to decline in Africa between 1980 and 1995, after falling precipitously by over 15 per cent, since 1973. For other groups of countries the World Bank's figures look more bullish at first sight, but partly because of an institutional subterfuge. The Bank, like the International Monetary Fund, refuses to publish forecasts for individual countries. Instead it groups all Third World countries into several cate-

## Kohl government makes progress

DR HELMUT KOHL became Chancellor of West Germany in October 1982 because his predecessor, Helmut Schmidt, could no longer deal credibly with two problems: the budget deficit and growing doubts on the left wing of Herr Schmidt's own party, the Social Democrats (SPD), about Nato's nuclear policy. Dr Kohl's coalition has made solid progress with the budget, as can be seen from the draft proposals for 1985 tabled in Bonn last week by the Minister of Finance, Dr Gerhard Stoltenberg. But it would be idle to pretend that even in this field, the call for a lesser state role in the economy, heard so loudly when Dr Kohl took over, has been fully put into practice.

With the Social Democrats in opposition, the argument about a cruise and Pershing weapons conducted among them has become less immediately important. Deployment of the missiles has gone ahead, but the surprisingly little fuss but the consensus on defence policy that had existed between the main parties—the SPD and Dr Kohl's Christian Democrats (CDU)—has broken down. The implications for the future of West Germany remain to be worked out in detail.

Dr Stoltenberg's achievement has been to hem in the growth of public expenditure which had got out of hand in the 1970s under the twin influences of the demands of the welfare state and the secular reduction of growth rates in western Europe. During 1984, federal expenditure is likely to remain behind the original budget estimate. But much remains to be done if the Kohl government is to live up to its liberal principles. The Chancellor's decision to make good from German sources the loss of income threatening German farmers from changes being made to the Common Agricultural Policy of the EEC shows that holy cows have remained holy cows. A bad example has been set for other members of the Community. The acid test, in any case, is yet to come: the new policy in Bonn has not so far had any worthwhile impact upon unemployment.

In an important sector of the

CAN Bob Hawke keep it up? The Australian Prime Minister has enjoyed such a charmed run that he may feel the strain this week in his first big political test since his impetuous accession 16 months ago. On the other hand, the Hawke confidence is so great, and his stock so high, that he may sweat doubts as he would a fly.

The challenge will come not from the Liberal-National Party opposition which, under the faltering leadership of Mr Andrew Peacock, remains rudderless and impotent but from the left-wing of Mr Hawke's ruling Australian Labor Party (ALP). It will come at Labor's biennial national conference in Canberra, starting today.

In March last year, Mr Hawke demolished Mr Malcolm Fraser's Liberal-National Government, and swept Labor to power. Apart from the dramatic reign of the Whitlam Government a decade ago, Labor's current turn at the helm is its first taste of power since the Chifley Government lost office in 1949.

Labor is grateful to Mr Hawke—but not overawed. In some areas, particularly uranium, Mr Hawke has trampled on party dogma. He has done so with the larrikin's natural haughtiness, and with a regal flip of the whip, which have helped demonstrate how Mr Hawke's power and appeal easily transcend ALP sectionalism and party political boundaries.

This is good and bad. It is good for Mr Hawke, whose consensus politics and talk of "national healing"—above all, his prices and incomes accord with the trade unions—have produced a 16-month respite for the economy, and boosted business confidence.

But it is bad for the ALP left, which is furious with Mr Hawke's stand on uranium, and other issues, and will attempt to subvert his authority in Canberra this week. In many ways, the ALP conference will be a friendly affair, even for the left, for

### In many ways, the ALP conference will be a friendly affair

the last 16 months have quelled most fears about Labor in power.

The economy is about three-quarters into a recovery. Labor's pay and prices pact with the Australian Council of Trade Unions (ACTU) is still intact. Mr Hawke and Mr Paul Keating (his Treasurer) have adopted a conservative free-market approach that has charmed industry leaders. And Labor has moved with an alacrity that some find astonishing to liberalise the financial system and nudge the Australian banking market into the late 20th century.

Above all—though much less heralded—Labor is wrestling with Australia's most urgent problem: industrial restructuring and the fostering of high technology. This is well overdue. Australia, says Mr Barry Jones, its Science and Technology Minister, is an industrial museum whose exports (mainly unprocessed minerals and farm products) are valued in billions of tonnes, while its high-tech exports are measured in grammes—a predicament that sees Australia languishing very near the bottom of the table of

## Party challenge to Australian Prime Minister

# Hawke faces his next big test

Michael Thompson-Noel reports from Sydney

OECD technology-based exports per capita.

The minutiae of OECD data will not interest left-wing delegates at this week's conference. They want blood on the floor, preferably Mr Hawke's. They are unlikely to get it. But their baying will be loud, and will remind observers that, at some temperatures, the Australian Labor Party has a capacity to self-destruct.

Uranium is the big umbrella issue. Since the end of the Vietnam war (in which Australia fought) the mining and export of uranium has united many factions: environmentalists, pacifists, unilateral disarmers, some trades unionists, and a rag-tag of far-left and near-left activists on a variety of issues.

Australia has one third of the world's low-cost uranium resources. In recent years uranium has become a major export item. Sales rose from A\$70m in 1978 to A\$362m (£232m) in 1982, and could grow to more than A\$1bn by 1992.

Mr Hawke says he wishes the "bloody stuff" had never been discovered, but believes that as it is, it should be carted and sold—particularly in the case of the giant Olympic Dam find at Roxby Downs, in South Australia, the world's biggest uranium discovery, where the partners (Western Mining Corporation 51 per cent, BHP Australia 49 per cent) have identified a large amount, not only of uranium, but also of gold, silver and copper.

Last Wednesday, an ALP committee formulated a pro-uranium motion for this week's conference based on the parliamentary ALP caucus's own moderate policy line.

The Cabinet would prefer to open up the uranium mining industry, and let market forces prevail. It will not get its wish. Mr Hawke's pro-uranium stand will be almost wholly vindicated if the motion is approved. It would permit Australia's existing two uranium mines, Ranger and

Nabarlek, to negotiate new sales contracts, and would signal a go-ahead for Olympic Dam.

On the other hand, the ban on sales of uranium to France would remain in force, because of French nuclear testing in the South Pacific.

The pro-uranium cause was aided last week by a strong intervention by Mr Bill Hayden, deposed by Mr Hawke as ALP leader in February last year, but now Labor's Foreign Minister and a prominent member of the ALP centre-left faction formed earlier this year.

The factional line-up at this week's conference is put at 41

## Since its accession, the Hawke Government has won good marks on most fronts

for the left (which apart from uranium, is against foreign banks, favours a tougher line with Indonesia over East Timor, and higher protection for industry); 25 for the centre and centre-left (which are basically pragmatic, but will demand social reforms when the economy is stronger); and 30 for the right (whose most prominent members are Mr Hawke and Mr Keating). On some days, the factional line-up oscillates, and wavers, and indeed breaks down.

Labor is by no means envisaging a full opening up of the uranium industry. In addition to the Olympic Dam, there are several other significant discoveries awaiting development. They include Jabliuka, in the Northern Territory, on which the partners, Pancontinental Mining and Getty Oil, have already spent more than A\$50m. These finds are still blocked. But because of the motion adopted last week, plus Mr Hayden's intervention, it is

probable that Labor this week will adopt a pro-uranium policy, with Mr Hawke and the right, aided by the centre, winning by about 10 votes.

The key will be the extent to which Mr Hawke feels it necessary to abandon, however briefly, his posture as a consensus Prime Minister who is outside party politics, and dirty his hands in sectional wrangling.

The importance of the Hawke revolution is that Mr Hawke has no real power base within the ALP, even though he was party President from 1973 to 1978. Nor does he have one within

the unions, though he was president of the ACTU from 1970 to 1980, and a famed settler of industrial disputes. It was that reputation that enabled him to develop unrivalled contacts with business, and explains the consultative approach that has so endeared his Government to industry and business.

Mr Hawke's credibility, and political virility, derive strength from direct community appeal. Australians are basically conservative, preferring patriotism to party. Hence the irresistible appeal of Mr Hawke's claim 16 months ago that he would end what he called Mr Fraser's "politics of confrontation and divisiveness" by emphasising a "sense of common purpose."

In addition, Mr Hawke's charisma and empathy give him a special cross-party appeal that, according to the polls, makes him Australia's most popular Prime Minister. His latest approval rating: 69 per cent to Mr Peacock's 31 per cent.



Bob Hawke: has trampled on party dogma

the unions is firm, though some employers resent the return to centralised wage-fixing, and say there is a distinct danger that wages growth will accelerate next year as some unions, quoting well-established recovery, treat wage indexation as the footstool on which to prop excessive real wage increases.

Another worry is the absence of a revival in business capital spending, particularly in mining which lives on boom to bust, and which will have viewed dimly last week's fall in international metal prices.

On other fronts, Labor's floating of the dollar, and its freeing of the financial sector, plus its readiness to welcome foreign banks—a move that has not yet materialised—has won it kudos.

On the industrial front, Labor has grasped the nettle, albeit by the stem. Mr Jones, the Science Minister, says Australia is in "deep trouble." Its brain-based exports are negligible, and its infrastructure antiquated. It has a brain office mentality. Australian industry, says Mr Jones, was programmed not to specialise, and not to excel. It has an enervated management class that does not read and barely travels, and a workforce whose main aim is to get to the head of the traffic. Hence the expression, poor little rich country.

Though Australia has been regarded as a world leader in plant genetics, immunology, obstetrics, earth science, radio astronomy and astrophysics, the Australian Government spends slightly less on research and development than Eastman Kodak.

The Hawke Government has taken steps to launch a high-tech venture capital market, and compiled a draft national technology strategy. A crucial aim is to galvanise moribund private sector R and D.

Mr Jones claims that his Government has a record of which it can be proud. "For example," he says, "I believe Australia is now a more cohesive society, one in which we

### Question marks remain over political maturing, ego and temperament

are all more prepared to communicate and co-operate with one another to achieve common goals."

So can Bob Hawke keep it up? His ability to weave consensus at this week's ALP conference will clearly signal his ability or otherwise to dampen factional wrangling, tame the left, and steer Labor on to a course that could keep it in power until the 1990s.

The big question marks are over Mr Hawke's own political maturing, ego, and temperament. He still regularly forecasts a return of the Hawke demon, and an attempt at fashioning a new Labor Party that each social reform.

In the view of one observer: "Consensus and nationalism have been his indispensable tools. Much will now depend upon how office further changes the man. It can accentuate his natural strengths or further tempt his weaknesses. Hawke is a unique product of Australian democracy. Perhaps, because the public identifies so closely with him, Hawke's progress will reveal our own future as a nation."

### By any other name . . .

Shintaro Abe, Japan's foreign minister, is carrying an aide-memoire on his visit to South Korea a list of the names of dignitaries to meet. He is hoping to forestall a faux-pas, not in identification, but in pronunciation.

Abe is inaugurating a subtle change in Japanese protocol: from now Korean and Chinese proper names are to be pronounced in the vernacular form, and not as if they were Japanese words.

So Abe will address South Korea's ruler as "Chun Doo-Dwan" rather than "President Zen To Khan" which is how the president's name would be pronounced if he were Japanese.

In spite of Japan's now friendly relations with South Korea, symbolic incidents, such as Japan's editing of its school textbooks, revive memories of past hostilities.

"Japanisation" of Korean proper names has been another touchy subject.

One Korean pastor unsuccessfully sued NHK (Japan's equivalent of the BBC) alleging that his civil rights had been violated by broadcaster who pronounced the pastor's name in Japanese rather than Korean form.

With South Korea's President Chun due to visit Japan soon, Japan's adoption of vernacular Chinese and Korean pronunciations is one soothing gesture—South Korea would also like the onomatopoeic on on ii Japanese to cease the compulsory fingerprinting of foreign residents, most of whom are Koreans.

Abe has a nice diplomatic explanation for his move. When he met U.S. Secretary of State George Shultz Abe was trying to explain his meeting with Chinese leader Deng Xiaoping, but Deng's name in Japanese became "Toh Sho Hei."

This caused a momentary panic for a U.S. interpreter who thought that a new and unknown strong man had walked

## Men and Matters



"Almost human—he seems to know that some people want to ban him from parks and raise the licence fee"

on to the centre stage of Chinese politics.

### Quiet Americans

The joint company that defeated Sir James Goldsmith in his bid for Continental Group, the U.S. packaging, energy and forest products concern, has brought together the names of most retiring enterprises in a country where businessmen are not noted for their reticence.

Peter Kiewit Sons which is putting up 80 per cent of the equity in the enterprise set up for the takeover of a large private business (sales of \$1bn, profits of over \$100m) which must be one of the largest worker-owned companies in the country.

The shares are evenly spread between 400 employees who are committed to selling their

stakes back to the business should they leave.

The present shareholding structure of this 100-year-old enterprise based on Omaha, Nebraska, dates back to the death of Peter Kiewit five years ago and according to the governing rules of the business his estate sold back his dominant shareholding to the group. Since then there has been no shareholder owning more than 50 per cent.

Kiewit says very little about itself, but its traditional base is in construction work, especially tunnelling. It did the excavations for the San Francisco subway and has branched out into opencast mining in the mid-West, forming an alliance with Occidental Petroleum which has given it a part of the oil group's big coal mining project in China.

It has also been moving into portfolio investment to find a home, as puts it, for its strong cash flow. Although Continental doesn't fit into this category, the group has talked in the past with David Murdoch, its partner in the deal, about a possible joint investment.

Murdoch is the largest individual shareholder in Occidental, but has other widespread interests. They range from bricks and tiles to the ownership of an antique shop in London and the Eay Adams Hotel opposite the White House in Washington. He also breeds Arabian thoroughbred horses.

### Chamber music

America's "old boy network" with a Supreme Court ruling that the all-male Jaycees, as the 7,400 Junior Chambers of Commerce in the U.S. are known, must allow women to join.

In a unanimous decision, the court has ruled that the 285,000-strong Jaycees cannot

invoke their constitutional freedom of association to over-ride state laws banning sex discrimination.

It is not clear yet what effect the decision may have on the all-male membership requirements of some of America's other exclusive clubs.

The Jaycees were founded to give young men training in business and civic activities. Membership is restricted to businessmen between the ages of 18 and 35. The latest court case dates back to 1978 when the national organisation tried to close its Minneapolis and St. Paul cell after it was found to be admitting women.

The Jaycees defend their membership policy on the ground that only by excluding women can they accomplish their purpose, set out in their by-laws, of "fostering the leadership skills of young men." They argue that their purpose would be "seriously destroyed" if women were allowed in.

### Health farms

Although the National Health Service has recently been obliged to make clear it does not usually employ veterinary surgeons, to help out with operations, it does admit to having two herdsman.

It seems that the herdsman—or possibly herdswomen—are retained on farms attached to older mental hospitals. They earn £76.26 a week. There are also 20 NHS farm labourers, earning £71.01 a week.

The days of the health (service) farms are, however, numbered: according to the Health Department, they are hangovers from a by-gone age and it is the Government's policy to sell them off.

Unfortunately, the department cannot at present reveal the whereabouts of its outdated farms. Its up-to-the-minute computer records are out of action because of a strike.

Observer

# FLORIDA MIAMI

The Banker in August will be focussing upon the continued expansion of Florida/Miami as a major international and domestic banking centre.

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FOREIGN AFFAIRS: WAR IN SPACE

Shadow play won't be enough

By Ian Davidson

LET'S just take it from the top. The Russians do not want to negotiate about nuclear weapons in Europe because they have more of them, but the Americans do want to negotiate because they have fewer of them.

On the other hand, the Russians do want to negotiate about weapons systems aimed at space satellites (Asat), because they do have such a system which works (sort of), but the Americans do not want to negotiate because they do not yet have a system which works.

Now the U.S. Congress says that President Reagan can only have the money to develop an Asat system if he promises faithfully to try negotiating about it with the Russians, even though the Congress knows that he is against such negotiations because he says they would be against the national interest.

Surprise, surprise. When the Russians again say they want negotiations on Asat, in Vienna in September, President Reagan says yes, but he also wants to talk about nuclear weapons—though he is not laying down preconditions. Then the Russians get really angry, launch into an anti-American tirade, assert that Washington has rejected their offer—but carefully point that the offer has not been withdrawn.

Confused? Don't worry. As the man said, if you're not confused, you haven't understood the problem. Question is, are the Russians and the Americans confused as well?

First teaser: do the Russians really want negotiations in Vienna in September? Speculation suggests a double answer: yes and no. Yes, because the emerging American system looks like being vastly superior to the existing Soviet system, so they want to get a handle on it; no, because they cannot stomach the Reagan administration and want to do nothing to help it get on its feet.

The Russian system is rather a lumbering affair: a vast rocket lifts a killer satellite into space; within one or two revolutions of the earth it manoeuvres the satellite into target satellite, and then explodes. It has been tested at least 20 times—also times successfully. Since last summer, the Soviet

Union has claimed (probably truthfully) to be observing a moratorium on further testing; but the system does work, up to a point, and could pose a threat to America's low-altitude satellites.

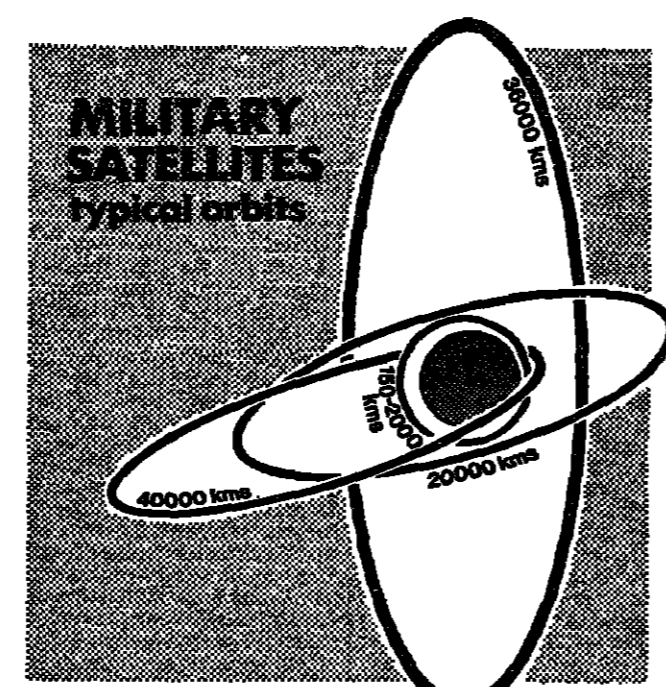
The emerging American system is based on quite different principles. An F-15 aircraft carries a rather small missile up into the sky and fires it; a homing device locks on to the target satellite and smashes into it at colossal speed, destroying it by impact rather than by explosion. One dry-run firing took place at the beginning of this year; a semi-real target test is scheduled towards the end of the year.

Nobody knows whether the American system will work well. If it does, it is obviously a much quicker way of knocking out satellites than the Russian system, which has an orbital speed of about 8 kms per second, is obviously very demanding from a technological point of view. One might suppose the odds were loaded against it.

Technological wonders never cease, however. In the middle of last month, the U.S. fired a ground-launched missile, tipped with a miniature homing device similar if not identical to that on its Asat weapon, and successfully intercepted and destroyed an incoming Minute-man missile. Previous tests had failed; it now looked as though the U.S. might be cracking the interception problem. Three weeks later the Russians renewed their call for negotiations, this time with a specific date and place.

To the surprise of everyone including, obviously, the Russians, the Americans said yes, immediately. Cynics speculate that this was because Richard Perle, arch-bawk at the Pentagon and known to his critics as the Prince of Darkness, was out of town at the time; he was in fact in Bonn labouring the German SPD party for its lack of solidarity. But he that says it may.

The reason the Russians raised the ante for Asat talks was not, I suppose, just that the U.S. looked as if it might be winning the race in Asat technology, but rather that the Rus-



sian satellite system is much more vulnerable to attack than the American satellite system. The Soviet and U.S. Asat weapons could only attack satellites in relatively low circular orbit, up to a height of a few thousand kilometres from the surface of the earth, or which come fairly close to the earth in a highly elliptical orbit. Geostationary satellites, which are parked in a fixed position in relation to the earth, are 36,000 kms away and out of reach of current methods.

A very high proportion of Soviet satellites are in low orbit, including many communications satellites; whereas a much larger share of the U.S. satellites are in high orbit. It may be that the U.S. depends more heavily on satellites, because of the ocean which divides the Atlantic Alliance, whereas the Soviet Union has the advantage, in communications, of being a continental land-mass. Nevertheless, the Soviet satellite system is more exposed to attack, especially if the U.S. acquires a quicker and cheaper method of attacking.

There is a third reason for possible Soviet anxiety: the obvious technological connection between the emerging U.S. Asat system and the Reagan administration's programme for an anti-missile defence, popularly known as Star Wars, but officially entitled the Strategic Defence Initiative.

Under the 1972 Anti-Ballistic Missile (ABM) treaty the super powers limited themselves to two ABM locations on each side, one for the national capital, the other for one Inter-Continental Ballistic Missile (ICBM) base. Two years later, they reduced the number to one each. The Russians have kept their system in being, but the Americans had so little faith in the effectiveness of theirs that they mothballed it; it is unlikely that the Russian system is any better.

The question raised by the recent test is whether the U.S. could acquire a partially effective ABM system.

One of the charges against the SDI programme is that it would be a total violation of the ABM treaty, arguably the single most important arms con-

trol agreement between the superpowers; even the attempt to create such a system implies a deliberate intention to overthrow that treaty. A single ABM site would not be a violation; but it could look like the first piece in a very worrying jigsaw puzzle.

So it is easy to see why the Russians want to negotiate limits on anti-satellite weapons; not merely do they want some reassurance for their own, more vulnerable satellites; they also want to secure limitations before the Americans have perfected their new system; and if they can spike the new U.S. intercept device, they will simultaneously have put a hobble on its application as an ABM system.

Politically, the timing looks odd, at first sight. The Russians cannot want Ronald Reagan to be re-elected; they know he is vulnerable domestically to the accusation that he has undermined the arms control process; the inauguration of a new negotiation between the superpowers in the weeks leading up to the election can only be good for Mr Reagan—it gives him just enough time to claim credit for the negotiations, but it does not give the Russians enough time to secure any American concessions before election day.

On the other hand, the Russians are in a bind. If Walter Mondale were elected, he would probably abandon the Star Wars programme unilaterally, cut the defence budget, and agree to Asat talks. The trouble is that, at this stage in the game, Mr Mondale seems to have only a minimal chance of winning, if the Russians assume their current position. Reagan will be the heavy favourite for November, they know they have a much better chance of getting him to the negotiating table before the election, and if they are re-elected, he would be likely to revert to his previous position that Asat negotiations are not in the U.S. national interest.

Now that the U.S. has abruptly said snap to the Soviet invitation, it seems almost inevitable that the talks will open in Vienna in September; in public relations terms if in no other, neither side can afford to back off. But since

President Reagan has already declared his real views on Asat negotiations, the prospects for substantive movement might seem rather unpromising. Yet it will be difficult for Ronald Reagan to confine himself to empty shadow-play for the purpose of deluding the American electorate; he will also be under pressure from the European allies to adopt a negotiating position which is both reasonable and negotiable, for they have been unremittingly critical of the dangers of a new arms race in space.

By now it is too late to outlaw any Asat systems, because the Russians already have one, and there is virtually no way to verify its dismantlement. On the other hand, tests of Asat systems are observable and thus verifiable. On grounds of equity, and for reasons of paranoïa, the Reagan administration cannot be expected to agree to limits on Asat testing until their system has been made to work. So a plausible compromise might allow the superpowers to test one low-altitude system each, but ban any tests against high-altitude satellites; and that is what the French government has proposed in a paper submitted to the general-purpose United Nations Disarmament Conference in Geneva.

The interesting question is this: what else will the superpowers talk about in Vienna apart from the Asat issue? The Americans have said they also want to re-open the nuclear weapons negotiations that the Russians walked out of at the end of last year; but since the Russians have said no, that particular gambit may not get very far.

So will the Russians try to enlarge the agenda, by bringing in other aspects of space-based warfare—for example, the American Star Wars programme? Here there is an interesting pointer, in the shape of a one-sentence paragraph inserted at European insistence in the communiqué of the recent ministerial meeting of the North Atlantic Council: "The Allies welcomed the willingness of the United States to discuss with the Soviet Union research programmes on strategic defence."

Lombard

Too much of a good thing

By Samuel Brittan

THE "financial industry" is probably one of the most rapidly growing industries in both the U.S. and Britain. This is perhaps less surprising in Britain where the City has long maintained a role disproportionate to the country's relative standing in world trade and production. But finance in the U.S. has been one of many growth activities, and if it really is now beginning to involve an excessive proportion of the country's resources and brain power, it is time to worry.

Of course financial markets perform vital services. If there is to be any private ownership of industry or holdings of long-term debt, there must be a secondary market in which titles to these assets can change hands. A modern economy also needs a money transmission mechanism and some mechanism for using surplus savings to provide business, housing or consumer loans. Rather less obviously, a futures market in which prices can be quoted for products or securities at dates far ahead helps economic efficiency.

The doubt that springs to mind is not whether financial markets are needed, but whether what is essentially a second order and facilitating activity is growing at the expense of the direct production of goods and services which the economy exists to provide. An analogy would be if more people were employed as real estate dealers or estate agents than in building or improving homes (perhaps more are).

These doubts have been strengthened by reading the 1984 Fred Hirsch Memorial Lecture by the Nobel prize winning economist James Tobin (Lloyds Bank Review, July 1984). Tobin was impressed by a report that of 46 business executives with emoluments last year of over \$1bn, some 16 were officers of financial companies; and he explains why both the number of high salary earners and the proportion in financial companies are considerable overestimates.

Tobin reports that 40 per cent of recent graduates of Harvard's School of Organisation and Management went into finance. There is, of course, a standard free market answer to these worries. This is that financial

markets could not grow so quickly and pay such high salaries if there were no customers willing to pay; eg, investors willing to pay the middlemen of the securities or insurance industries or depositors willing to put funds into banks at interest rates which fall well short of what bank borrowers are charged. Anyone who thinks that financial intermediaries are bloated is free to try to provide a more slim-line service.

Such considerations should be a warning against hasty intervention, not against the posing of questions. Not all markets work as efficiently as they might, whether the sources of inefficiency are facts of nature and regulations. Take for instance the speculations on the speculations of other speculators. These are called "bubbles." They dominate the prices of gold and collectors' items, but they also affect equities, long-term bonds, foreign exchange, futures markets and real estate. Tobin remarks that the proliferating new options and futures markets do not stretch far into the future and serve mainly to provide "opportunities for speculation and financial arbitrage."

To say that financial markets become distorted does not imply that governments would be very good at improving them and I would not share Tobin's enthusiasm for intervention. Indeed I would criticise the British Chancellor and his advisers for devoting too much of their energies to the regulation of the securities market. I was pleased to see Nigel Lawson move away from narrow Treasury preoccupations in his recent Bow Group Speech and talk about the affairs of other departments. As the senior economic Minister surely must. But I wish he had moved into Department of Employment matters rather than the financial regulatory activities of the DTI. For if there are markets which cry out for official attention, it is not the financial markets but the labour markets; and as I try to explain to my glibbed friends, unless the labour market does a better job in providing jobs, there will be no financial markets left about which to pontificate.

Fiscal law reform

From Mr D. Tallon. Sir,—Tim Eggar's article (July 4) covered most of the problems of getting decent finance legislation on to the Statute Book but failed, I suggest, to do more than tinker with solutions. Assuming that we are not going to get technical bills, despite the former Chancellor's support, the time of the Committee is better spent on considering the political aspects of the legislation than the drafting.

The publication of draft clauses has not always proved a very satisfactory method of exposing the weaknesses of proposed legislation. Too many have been the subject of very substantial revisions and this is a mark of the failure of the experiment rather than of its strength. The Finance and special interests have very quickly been put into a public adversarial stance. And in order to get round this there has been a tendency to resort to private discussions with affected groups before publication.

It is this process which needs to be formalised as it points the way to the only hope for well-thought-out law. At the present time the Inland Revenue propose and there is a knee-jerk reaction to oppose.

Surely the best solution would be to have a permanent fiscal law reform committee, chaired by the Treasury and composed of representatives of the Inland Revenue, the legal and accountancy professions. These are the people who have to work with the system and explain it to the general body of taxpayers. With (mainly) seconded staff such a body could produce some order from the ramshackle edifice of current legislation as well as ensure that new draft clauses made some sense.

Perhaps, also, they could ensure that changes to existing legislation were effected by the withdrawal of old sections and schedules and re-statement in the new form. This, alone, would produce some simplification of a highly desirable kind. Whether or not such reforms would give more coherence to committee consideration of a Finance Bill is a matter for Members alone. But it might, conceivably, allow Government back-benchers to get in a word edge-ways as well as allow all members to consider policy matters such as the challenge of the House of Lords' supremacy in revenue-raising matters. D. S. Tallon, Dearden Farrow, 2, Scarjeaux's Inn, E.C.4.

Letters to the Editor

Portable pensions

From Mr R. Colbran. Sir,—John Craddock writes from Legal & General (June 29) about its proposals for contracting out of the state scheme by the use of personal portable pensions. To anyone who has actually read their booklet on the subject the suggestion that "the option could be offered without undue complexity and cost" must be described as completely unrealistic.

What Legal & General has done is to work through the essential requirements for such an option and show clearly that it is far too complicated for practical use. (b) that the ordinary member is most unlikely to understand it, and (c) that the financial options should not be accepted by Government. In doing this it has performed a useful service. The danger as illustrated in your report (July 2) is that if these in official circles will take the idea seriously. There seems no limit to the complications which the Secretary of State and his officials are prepared to inflict on who should be the simple process of saving for old age.

R. B. Colbran, Martin Paterson Associates, 10 Buckingham Place, SW1.

Great British breakfasts

From the Chairman, Bouldia. Sir,—I was interested in a snippet of news on June 28 "Poll says motorway food is poor value." Recently, I happened to visit a public house/restaurant one Saturday morning on a trip visiting botanical gardens, and because I enjoy a bacon-and-egg breakfast I demanded that egg do at most places if there is time for it. That pub produced a superb plate of bacon—not short-back but streaky, but it was not salty (as such so often is), it was well-cooked and hot, and they produced also a fried egg, as I had asked for, with the yolk under-done. That plus a couple of slices of bread cost me 66p. I could not imagine better value. Two weeks later at a motorway service station I ordered

virtually the same dish, except that the bacon was short back, and had it been hot would have been very good, but two slices only (against six slices of streaky) plus a rather overdone griddled egg. At 22.40 it was rather less than good value. Dr Beryl Foyle, Bournbrook, Birmingham.

Absolutely no sentiment

From Mr G. de Botton. Sir,—I am less amazed by the tenacious survival of fallacies in economic analysis than at their appearance in the august columns of your leader (Saturday, June 30). Forward rates never reflect sentiment. They reflect arithmetic spreads between interest rates. Nothing, but nothing else. Gilbert de Botton, Global Asset Management (UK) Ltd., 66, St James's Street, SW1.

Censoring the Press

From the National Officer, National Graphical Association. Sir,—I am moved by the report in your paper (July 4) of a speech made by Mr Kenneth Baker which indicated that the print unions were seeking to impose a censorship on the Press by their right of reply campaign.

It may be said very briefly that such a campaign would not be necessary if you, the editor, and your journalists were to follow the advice offered by Her Majesty's Government through the medium of the Careers Booklet on Journalism No. 83, published by HMSO which cites that a journalist's responsibility is, and I quote, "a journalist must not for example present opinion as fact; write a report he knows to be false, eg by omission of certain facts; fail to rectify an inaccuracy by publishing a correction in such a position that it is virtually worthless; refuse space for the right of reply; fail to honour a confidence; or write a letter or story at the behest of an advertiser or for any other material gain." I do recognise that the same booklet dictates that the editor's responsibility is in conjunction

with the proprietor to determine the policy of a paper and what opinions it expresses towards controversial subjects, and this latter point clearly, in view of the ownership of the Press currently, lies in the face of the journalists' responsibility or indeed their ability to pursue what is generally conceived to be fair reporting.

Much more of course could be said on the subject of the right of reply and many examples given where such rights have not been forthcoming, but to suggest that the editors of the trade unions currently is in any way censorship, is to ignore the fact that for far too many years you have failed to put your own house in order. G. Jerrom, 63-67 Bromham Road, Bedford.

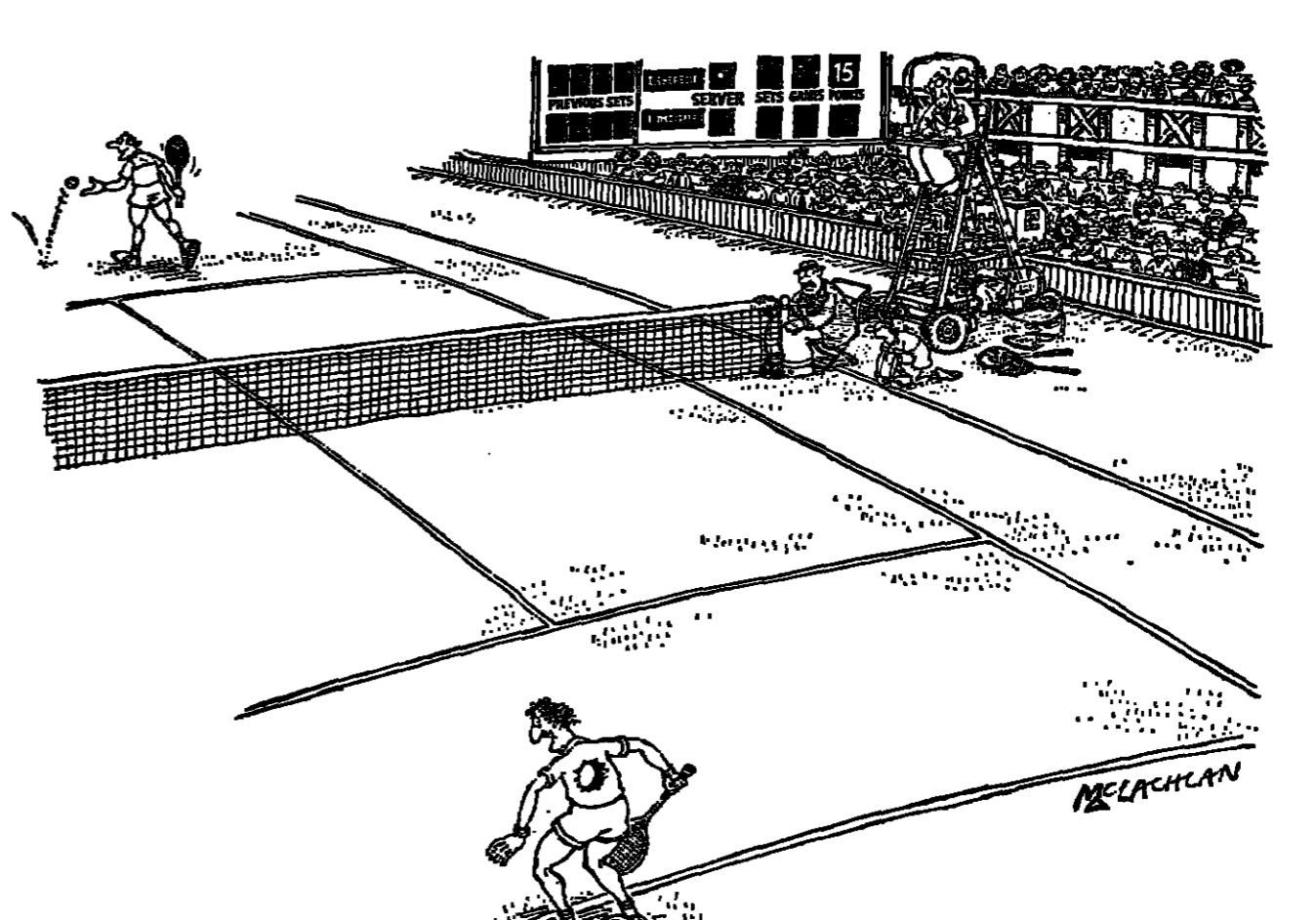
The right to reply

From Mr A. Hallsworth. Sir,—You report (July 4), Mr Kenneth Baker's attack on the Fleet Street unions over the right to reply. One feels sure that given a little more time he could have suggested a better analogy than that of a waiter choosing what will be served to the customer. Surely the right to reply does, or should, involve a widening of what is on offer to the customer not a restriction of choice.

It would be easy for the unions to suggest that their role is as the waiter who has seen what really is cooking in the kitchens and is insisting that the full menu be displayed, not just the items that happen to appeal to the restaurateur. A. Hallsworth, 9 Ailsford Road, Purbrook, Portsmouth, Hants.

Universities and industry

From the Vice-Chancellor, University of Salford. Sir,—In your report (June 28) of a speech I gave to the Confederation of British Industry you appear to quote me (in the headline) as saying that Science Parks "threaten relations between universities and industries." I did not say that (as examination of the text will show) neither do I believe it. What I do believe, and say, is that Science Parks will work well where there is a good and close relationship between a university and industry but that they are not a substitute for that good and close relationship and their establishment does not necessarily lead to that kind of relationship. (Professor) John Ashworth, University of Salford, Salford.



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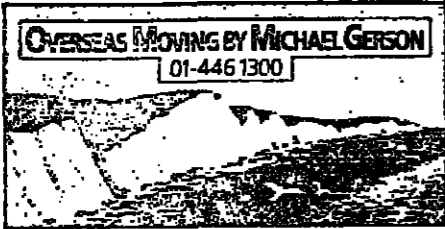
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# FINANCIAL TIMES

Monday July 9 1984

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## Terry Byland on Wall Street Retreat into defence

THE SEARCH for defensive stocks on Wall Street has largely taken over from the previous concentration on growth opportunities in price, although fund managers often seem to apply the same criteria in both cases.

It makes good sense to look at companies with strong balance sheets, and which have established good growth records, no matter what the stock price may have done since the bull market peaked. And, since the burnt child fears the fire, it is not surprising that stocks which smack of phrases like "high technology" or "high-fliers" should remain friendless.

Stocks in the U.S. defence industry, which have declined strongly over the past six months, have now begun to attract the attentions of fund managers wanting the best mix of protection against further setbacks in the stock market and the best recovery opportunities when the market turns better.

The setback in defence stocks, ranging to nearly 40 per cent from the 52-week high points, has reflected public perception that the end of the defence build-up may be in sight. Nervousness has grown all the greater since the entry into the political arena of the federal budget deficit.

The most Republican of investors now accept that a reduction in federal spending will be the first priority after the November presidential election - whoever wins. Defence, investors believe, can no longer be considered safe from the budget cutters.

Mr Hugh Johnson of First Albany has surveyed the prospects for the smaller defence technology companies which may actually benefit from cost-cutting measures. As heavy capital expenditure on missiles and battleships becomes less appealing, the armed services are likely to place more attention on advanced electronic warfare systems, on simulators which offer cheaper methods of training, and on surveillance equipment which reduces the obvious military presence.

In the batch of stocks meeting First Albany's criteria, several stand out by virtue of their relatively high price/earnings ratios, of 11 to 18 on an historic basis. This feature seems to reflect the widespread fall in stock prices in the sector rather than a close consideration of earnings prospects.

In the case of EDM international, an American Stock Exchange quoted group, which manufactures engineering and systems integration services, the fall from a high of \$80 to \$25½ has reflected a swift disenchantment on the part of the main institutions which bought the stock in 1983, when defence stocks were riding high.

Since its highly specialised area of war gaming and communications is likely to flourish even under a tighter defence budget, EDM's present standing in the marketplace seems unreasonably low.

Sales peaked at \$151.1m in 1983, when earnings reached \$8.5m. With earnings over \$3m for the first half of this year on sales of \$75m, the sellers of the stock may be forcing the pace too hard.

Order backlogs, which have in the past been a significant guide to future performance, now stand at \$217,000, the highest in recent history. Like many of the Amex board stocks, EDM responds vigorously to institutional interest, and the price could recover quickly if the market turns.

Canadian Marconi, which is controlled by GEC of the UK, has fared better than most of its rivals in the stock market, but a fall of about 25 per cent in the price ignores a steady rising trend in both sales and profits.

Once again, the significant factor is the steady growth in order backlogs to a peak of \$300,000. The earnings multiple of 11 times fiscal 1984 earnings is ungenerous for a company which has pushed share earnings ahead by 200 per cent over the past four years.

Among the three largest of the defence electronics groups, E-Systems has taken heavy punishment as institutional holders have shied away from falling sales and ignored improving profit margins. Earnings are already standing at \$36.9m for the first half of the current year, against \$37.2m for the whole of the previous year. While order backlogs of \$1m are already signalling a recovery in sales revenues.

The shares have fallen by nearly 40 per cent from their 52-week high, and stand on a multiple of 15 times last year's earnings.

It is a cardinal rule of investment in defence industry stocks that it is just as long and difficult a process for a government to reduce defence expenditure as it is to turn a battleship. On the basis of their order backlogs alone, the defence technology issues should hold steadily on course for some time to come.

## SOME BLOOD MAY BE SPILLED AT THE AUSTRALIAN LABOR PARTY CONFERENCE

# Hawke sees backing on uranium

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ANTI-URANIUM demonstrators gathered in force in Canberra last night as delegates arrived for this week's biennial conference of the ruling Australian Labor Party (ALP), which starts today.

Mr Bob Hawke, the Prime Minister, is expected, however, to secure party backing this week for a uranium policy which gives approval for the world's biggest uranium project, the planned A\$2bn (£1.3bn) Olympic Dam mine at Roxby Downs in South Australia.

The Roxby partners are Western Mining Corporation (51 per cent) and BP Australia (49 per cent).

Mr Hawke is expected to gain party support on a range of issues on which his right-wing Cabinet clashes with left-wing party opinion.

Apart from uranium, they include adoption of a softer approach to Indonesia, Australia's populous neighbour, regarding the takeover of



Mr Bob Hawke

East Timor, and the Government's support for the continued presence in Australia of U.S. space communications facilities.

The ALP left wing wants to bar the entry of foreign banks and is also anxious for much faster expansion of the economy than that planned by the Government.

On all these issues Mr Hawke is expected to prevail, though there will be some blood-letting.

A key influence this week will be the impact of a new centre-left faction, the most prominent member of which is Mr Bill Hayden, the former ALP leader deposed by Mr Hawke in February last year.

Mr Hayden is now Foreign Minister, and supports the Hawke line on East Timor and on maintenance of U.S. communications facilities. Mr Hayden said yesterday it was imperative to steer Labor away from adopting "belligerent foreign policies and pacifist defence policies."

The arguments will be fiercest over uranium, of which Australia has the world's largest reserves.

A prominent ALP left winger, Mr Brian Howe, who is Minister for Defence Support, said yesterday: "The rank and file view of the Australian Labor Party is very strongly anti-uranium and would want to see the industry closed down or at least phased out within the foreseeable future."

Mr Hawke indicated he would not be worried if the voting was close. He said bookmakers paid "the same amount if your favoured steed wins by a short nostril as if it wins by the length of the straight."

With a general election expected at the end of this year - at least 12 months early - Mr Hawke needs to assert his authority this week, and retain his composure.

Any sign of undue concessions to the left would harm Mr Hawke's "national consensus" platform, and might revive the flagging Liberal-National Party opposition partners.

Talks with China, Page 4; Hawke's big test, Page 18

## Caricom leaders seek IMF and World Bank help over debt

BY CANUTE JAMES IN KINGSTON

HEADS of Government of the Caribbean Economic Community have asked the International Monetary Fund to lengthen the period of its extended fund facility from the current three-years to five years.

At their summit in Kingston, Jamaica, the leaders of the 13 English speaking countries also asked the World Bank to increase the volume of funds to countries which are undertaking structural adjustment programmes.

The request was made during discussion on the region's debt problems. Heavily indebted countries were said to be facing "grave crises."

Jamaica and Guyana, two of the community's members, have been involved in protracted negotiations with the IMF, while Jamaica has implemented a structural adjust-

ment programme with World Bank support.

Jamaica has a foreign debt of U.S.\$3.1bn. Guyana, with foreign debt of \$1.3bn, is the most indebted country per capita in the Americas.

The leaders have also asked that commercial banks prepare "meaningful programmes for rescheduling short-term debts."

The heads of Government said this should include an extension of repayment periods and a maintenance of net exposure in developing countries.

The conference said the indebtedness of Caribbean countries and those in other parts of the developing world "is such that most debtor countries are unable to cope."

The proposals suggest a greater role for the private sector, changes in exchange rates, moves to reduce import bills and cut domestic

consumption and increasing production for export to improve hard currency earnings.

Conference sources have said, however, that the community's members will be selective in their implementation of the structural adjustment proposals, as some measures will not be needed by all 13 countries.

The economic community's leaders agreed on measures to end growing protectionism and revive intra-regional trade. Trinidad and Tobago, the group's richest member, has agreed to remove import barriers. The other members have undertaken to buy more goods from the country.

The meeting agreed on a formula to restart a \$10m trade payments facility which has been inoperative since reaching its ceiling.

## September election expected in Canada

By Bernard Simon in Toronto

MR JOHN TURNER, Canada's new Prime Minister, is expected to call a snap general election this week after a brief visit to Britain to discuss the possible postponement of the Queen's tour of Canada, which is to begin next weekend.

Mr Turner has scheduled a press conference for today, and speculation is rife that he has decided on an early September poll. If so, Parliament must by law be dissolved before the end of this week.

No details of Mr Turner's discussions have been released, but Buckingham Palace has indicated that the Queen will refuse to go ahead with her visit to New Brunswick, Ontario and Manitoba during an election campaign. According to one report, the royal tour will now take place in the autumn.

The ruling Liberal Party's campaign may get off to a shaky start in the wake of reports that the Queen is annoyed by Mr Turner's request to delay the visit. The royal tour has been given wide publicity in Canada and preparations are advanced. However, postponing the election carries the risk to the Liberals of a deteriorating economic climate and public disenchantment with the new Turner government.

According to recent opinion polls, the Liberals are more popular among voters than they have been for several years, and have a fair chance of winning an election. The Liberals currently hold 145 of 282 seats in the House of Commons.

Meanwhile the opposition Progressive Conservative Party, which has 100 seats, has promised a radical revision of the controversial National Energy Programme if it wins the election.

In a policy statement, the party said that government grants for oil exploration in frontier areas would be replaced by more freely available tax credits. Provisions allowing the authorities to take a 25 per cent stake in new oil finds would be replaced by unspecified measures to raise the share of Canadian companies in the oil and gas industry. A levy on oil companies' revenues would make way for taxes on bottom-line profits.

The Conservatives hope to erode Liberal support in Quebec and southern Ontario. Mr Brian Mulroney, the party's leader, is working hard to persuade blue-collar workers and ethnic minorities, traditionally supporters of Liberal Party or the socialist New Democratic Party, that a Conservative government will create jobs and not dilute social programmes.

The Liberals are also likely to make job creation a key plank in their electoral campaign strategy.

## Hopes for halt in sterling slide

Continued from Page 1

ties that interest rates had to be raised. The decision was "communicated" to the clearing banks on Friday morning and the fall against the D-Mark was smartly reversed.

It is now clear that at sterling's current level, the authorities would be forced to react quickly to any further suggestion of a general rush out of sterling. However, the figure most closely watched at the Bank of England and the Treasury will be the pound's trade-weighted index, rather than the rate against the dollar.

That index, standing at 77.9 at Friday's London close, is now 5½ per cent below its level at the beginning of the year. However, although

the pound is now at a record low against the dollar, its trade-weighted value is still 5½ per cent above its all-time low of 74, reached in 1978.

The most recent indication is that the Bank of England would like to proceed more gradually than in the past - raising or lowering interest rates by a fraction of a percentage point rather than by large amounts like the 4 full points (in two stages) by which interest rates were raised in 1981 to check sterling's slide.

Whether the Bank can succeed in influencing the market by relatively small touches to the rudder will be put to a crucial test this week. However, there is no indication at

present that the authorities intend to step up their intervention in the foreign exchange markets. Mr Nigel Lawson, the Chancellor, is particularly sceptical about the use of that weapon and the Treasury generally believes that a rise in interest rates is a more efficient way to influence sterling.

The Treasury may, paradoxically, be strengthened in this policy by its current view that domestic monetary conditions do not require a rise in interest rates.

Consequently, it is thought, any rise would have an undiluted effect in influencing the foreign exchange markets.

## Nigerians may face expulsion from Britain

Continued from Page 1

yesterday at the Hertfordshire and Essex hospital where, despite improvements in a chest condition, he remained weak. He is expected to remain in hospital for at least another 24 hours.

Meanwhile, pressure is building up on the Government from the Opposition and Tory backbenchers to prevent a repetition of such incidents, particularly after the recent Libyan embassy siege.

Mr Ivan Lawrence, vice-chairman of the Conservative backbench home affairs committee, said yesterday that if the Nigerians refused to waive diplomatic immunity, the Government should take the strongest possible measures.

"If that means breaking off diplomatic relations with Nigeria, I am sure the Government will have the bravery to do that," he said.

## Developed world 'must beat inflationary fears'

Continued from Page 1

outward-looking, export-oriented economies have a superior performance.

The challenge which now faces the Latin American countries is to shift from import and output cutting adjustment to growth-oriented export expanding adjustment," the report continues. It argues that the ability of countries to earn foreign exchange will largely determine if the debt crisis subsides.

The emphasis in the report on the central role that good policymaking plays in a country's performance carries over into the lengthy analysis of the world population problem, which is a powerful element of the report. The analysis sees signs that the rate of world population growth is beginning to slow since the mid-1960's, although it predicts that nevertheless the world's population will more than double from 4.8 bn to

9.8 bn by the year 2050, and that most of the growth will be concentrated in poor, developing countries.

It stresses, however, that population policy can make a difference. The slowdown so far, it says, has largely been a result of policies which China has adopted to control its population. It points out that fertility in Colombia, where family planning programmes received government support from the late 1960's, has declined more rapidly than in Brazil, even though Brazil is a richer country and normally one would expect population growth to slow faster at higher levels of relative affluence.

In a strong plea for measures to control population, the report says that further declines in world population growth will not come automatically.

## World Weather

City	Temp	Wind	Cloud	Temp	Wind	Cloud
Amman	25	77	22	73	22	73
Algeria	25	77	22	73	22	73
Algiers	25	77	22	73	22	73
Amsterdam	25	77	22	73	22	73
Ankara	25	77	22	73	22	73
Antwerp	25	77	22	73	22	73
Bangkok	25	77	22	73	22	73
Barcelona	25	77	22	73	22	73
Berlin	25	77	22	73	22	73
Bombay	25	77	22	73	22	73
Buenos Aires	25	77	22	73	22	73
Calcutta	25	77	22	73	22	73
Cardiff	25	77	22	73	22	73
Cairo	25	77	22	73	22	73
Canberra	25	77	22	73	22	73
Cebu	25	77	22	73	22	73
Chennai	25	77	22	73	22	73
Colombo	25	77	22	73	22	73
Dakar	25	77	22	73	22	73
Dhaka	25	77	22	73	22	73

## Lagos oil demand

Continued from Page 1

that when ministers meet tomorrow they will attempt swiftly to reaffirm their official production ceiling of 17.5m b/d and the existing price structure.

The main proponent for the status quo will be Saudi Arabia, which some analysts feel may have over-produced deliberately in recent weeks to demonstrate to fellow Opec members the consequences for oil prices of additional Opec output.

Another possibility is that the Saudis simply misread demand, or that in common with much of the oil market, they overestimated the damage to liftings that would be

caused by the escalation of the Gulf war into attacks on oil tankers.

The Opec country certain to argue in Vienna for a rise in the official price is Iran, whose Prime Minister, Mr Mir-Hossein Mousavi, said in Tehran a week ago that the London decision to cut prices had led only to profits for "arrogant bosses."

For once, however, attention at the start of the Opec meeting does not focus upon the traditionally hawkish Iran, but on Nigeria, which is widely believed to have secured an undertaking from Sheikh Ahmed Zaki Yamani for an early increase in its quota

## THE LEX COLUMN

# Settling the cost of the miners

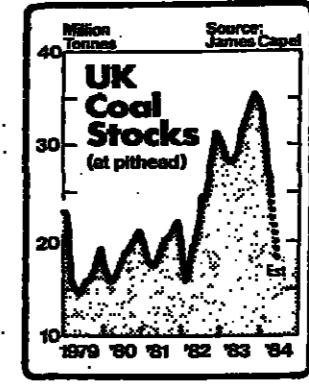
It could be one irony of the British miners' strike that reports of progress towards a settlement end up causing more wobbly knees in the City of London than the strike itself to date. City analysis of the strike's impact has left the broking community almost purring with self-assurance. Adjustments to the big picture have kept the economists busy but still look of little consequence to the salesmen. As for the strike's effect on individual sectors, those bearing most of the burden are themselves nationalised industries - leaving the stock market free to enjoy its quiet conviction that Mr Scargill is going to lose, and sooner rather than later.

This helps explain why so few company earnings estimates have been downgraded and so few individual names widely canvassed as victims of the strike. This is not to say that the market did not very early on assemble a sort of identikit picture of the miners' spending habits. Package holiday operators, regional brewers, electrical retailers and others heavily committed to consumer credit - all those and more were identified readily enough.

But the companies deemed vulnerable because of a restricted geographical sales base appear to have had their shares reared at the outset, often by courtesy of the local, regional broking firms. For the most part, expectations of a third-quarter end to the strike have underpinned the market's confidence that most larger companies will be able to carry their disappointing performances in the mining regions. This even seems true of the retail sector - though year-on-year sales growth in the Sheffield and Nottingham areas, for example, is beginning to emerge several percentage points lower than rates achieved in the south-east.

The same settlement expectations have kept the economists for the most part more concerned with delays to the timing of the economy's growth than with assessments of any permanent damage. April's sharp deterioration in the current trade balance looks attributable to heavy stockpiling and has not much affected present estimates of the strike's cost, generally set a little over £150m a month, to the current account. But the higher than expected sterling value of North Sea revenues and the strength of non-oil exports might well have been underestimated, deterring most brokers from projecting quite yet a current account deficit for the year.

Similarly, estimates of the loss of gross domestic product - which in most cases point to a 1 per cent fall



clear that the Government would refer cases to the Monopolies Commission primarily when confronted with a potential restriction on competition. Once referred, however, the matter will be judged according to the public interest criteria set out in the Fair Trading Act. So a proposed takeover such as that of Enserch for Davy, rejected by the commission largely on the ground of national interest, might under the present regime not even be considered by the commission.

Equally, under the new policy, the initial Lomro bid for House of Fraser would probably not have been referred. The last investigation into the matter produced a supremely muddled document primarily because the criteria of competition and public interest were not properly distinguished. In referring the situation back for a second look, the Government may be asking the commission to apply stricter competitive yardsticks. But, as competition is clearly not the main issue in this case, a referral runs the risk of undermining the Government's present position, as well as that of its predecessors.

## RTZ/Enterprise

Enterprise Oil's new financial advisers face an uphill struggle in their attempt to keep RTZ at bay. The Enterprise share price was trailing 7p behind the maximum tender price on Friday evening and there is no shortage of underwriters anxious to lighten their holdings a little. Apart from anything else, the Government's swift counterattack on RTZ is still causing enough resentment among City institutions to make the prospect of revenue something to relish.

The Enterprise camp will presumably be doing everything in their power to make the shares look attractive in the cold light of a Monday morning, but they are desperately short of effective ammunition. The Enterprise price would certainly be trading lower still but for RTZ, and the only risk being run by existing holders is that the combined RTZ and Norwich Union positions will tighten the market against anyone seeking to climb back aboard at a lower price.

Yet most underwriters will probably seek to tender some stock, in the knowledge that RTZ's strategic holding will provide a handy long-term hedge, while themselves keeping a respectable weighting in equity which looks cheap on most fundamental grounds. This round, it seems, will go to RTZ.

## Competition policy

The Government's long awaited statement on competition policy, finally expounded by Mr Norman Tebbit last week, is in most respects an endorsement of the status quo. No amendment to the Fair Trading Act is proposed and the Government is still not offering industry any ready reckoner by which to measure the acceptability of mergers and acquisitions.

The present arrangements have the merit of flexibility in that the Government is no doubt right to lay emphasis, as it did last week, on the forces of competition pure and simple. Yet the confusion between the broad question of public interest and the more narrow boundaries of economic competition remains. Last week's statement made

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# SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday July 9 1984



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## CREDITS

### Tradeable bank loans gain fillip with launch of £25m Irish deal

BY PETER MONTAGNU IN LONDON

THE DEVELOPMENT of a market in freely tradeable bank loans takes a step forward today with the launch of a £25m (\$32.6m) 10-year state-guaranteed credit for Irish Telecommunication Investments.

Samuel Montagu, which has the mandate to arrange the deal, has structured it in a way that will allow lenders to sell all or part of their participations without recourse to the cumbersome sub-participation procedures that have existed up to now.

In many respects the deal resembles a standard Eurocredit. It bears a margin of 7/8 per cent; repayments will start after a five-year grace period; the borrower can choose between one, three and six-month rollover periods; and the funds will be available for drawdown until the end of the year.

The loan will also incorporate a newly developed mechanism which Samuel Montagu calls a "transferable loan instrument." Lenders will be able to convert their participations into this instrument, which can then be sold to other banks. Details of such transactions will be recorded by Samuel Montagu on a register which will be open for inspection by the borrower.

At this point the credit begins to resemble a hybrid between a floating rate note and a traditional Eurocredit. The borrower retains the flexibility of the Eurocredit in terms of drawdown period, variable rollover dates and gradual amortisation (none of which is normally offered by a floating rate note). Banks, on the other hand, have an asset they can sell.

If they decide to do so, their direct relationship with the borrower passes automatically to the purchaser of the instrument. There is no longer any confusion about who is responsible if at any stage the loan has to be renegotiated. This problem has arisen from the trading of loans in the past.

Moreover, each instrument will bear a specific maturity date, in keeping with the overall repayment schedule of the loan. This will help banks to tailor their holdings to suit the maturity profile of their own loan portfolio.

For example, a bank which wants to lengthen its loan book can sell all its early maturing instruments, while another which wants to lend only for nine years can sell its instruments maturing in year 10.

Samuel Montagu believes that this loan, though small, will help satisfy the growing demand among banks for marketable assets. This demand has already stimulated a growing secondary market in bank credits over the past year, though its development has been hampered by a lack of standard legal documentation.

One important additional point, however, is that Samuel Montagu has chosen to launch its deal in the sterling market, which has so far remained untouched by many of the innovations in the Euro-credit market, notably revolving underwriting facilities (RUFs).

Elsewhere, last week was remarkable for the continuing success of deals already in the market. Sweden has picked up commitments totalling around \$4.5bn for its \$3bn facility launched two weeks ago. This would create room for an increase if the borrower wishes; much the same applies to the \$800m credit for Electricite de France which has already been raised from an original \$400m.

Even Denmark's lacklustre \$1bn credit has done better than expected in syndication, picking up nearly \$200m in the market. This leaves only the \$500m RUF being assembled by Merrill Lynch for Spain, limping painfully towards the finishing line which it hopes to cross this week.

## INTERNATIONAL CREDITS

### U.S. borrowers stay with Europe

BY MAGGIE URRY IN LONDON

IS THE never-ending competition to lead manage Eurobond issues about to break into war? The decision by the U.S. Congress to lift withholding tax on income paid to foreign holders of U.S. bonds might mean U.S. corporations will be able to raise money more cheaply at home - a prospect to delight the Wall Street securities firms.

Last week, however, big U.S. corporate names were tapping the Euro-dollar bond market once more. Two - Coca-Cola and Texaco - used the same group of lead managers, consisting of the top European houses, Credit Suisse First Boston, Deutsche Bank, Swiss Bank Corporation International and Union

Bank of Switzerland. Morgan Guaranty, which is excluded from underwriting securities in New York - and therefore from the shift of issue business to New York - by the Glass-Steagall Act, also figured prominently.

Morgan Guaranty led the Coca-Cola deal and Credit Suisse First Boston the Texaco one.

So far the rivalry is still distinctly friendly and suggestions of retaliation by the U.S. firms are being brushed aside. There is an edge creeping in to some of their remarks, however.

Both issues yield less than equivalent U.S. treasury securities, Coca-Cola's substantially so. As an Amer-

July 6	Previous
98.863	98.901
High	Low
100.009	98.056

ican put it, the Europeans "are making crazy bids against treasury rates - they can't really be justified." All in all the dead-pan expression of one American sums it up: "It is an interesting exercise in the continuing vitality of the Euro-markets."

The Eurodollar bond market was once again an uncertain and unhappy place last week. It cheered up mid-week after the U.S. Treasury

seven-year auction went well and the new issue window opened a few inches. By Friday, however, after the 20-year auction had gone badly, the market was sagging again, leaving dollar bonds down as much as 1/2 point in places over the week.

The clever thing to issue last week was Japanese paper. The Japanese insurance companies are restricted in their holdings of foreign bonds, but Eurobonds issued by Japanese names through Tokyo do not count. So the Japanese institutions were lapping up issues like Mitsubishi Corporation's triple A rated five-year bond, which traded well inside its 1 1/2 per cent selling concession.

## AFRICAN DEVELOPMENT BANK

### Roadshow seeks out long-term finance

BY OUR EUROMARKETS STAFF

THESE DAYS a bank that can boast that it has never suffered a default on a loan ought to have no trouble when it wants to borrow. It is not quite as easy as that if the bank is called the African Development Bank and thereby has an "image problem."

The ADB is trying to put that right with a roadshow round the capital markets of the Western hemisphere. It may be well enough known to launch "two or three" bond issues by the end of the year, its Vice-President, Finance, Mr Babacar N'Diaye hopes.

Already known in the D-Mark sector, the bank is now looking to other parts of the Eurobond market, the bulldog market and especially the Samurai market.

The bank was set up in 1963 with all its 30 shareholders independent African states. Until non-regional members were allowed in at the end of 1982, its membership was something of a constraint on its credit rating. Now that it has 23 non-regional shareholders, including the U.S., Germany, Japan and the UK, out of a total of 75, it can pursue a new borrowing policy.

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %	Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
<b>U.S. DOLLARS</b>								<b>D-MARKS</b>							
Mont-Hennessy S	50	1999	14 1/2	7-7 1/2	100	Credit Lyonnais, Mgn. Grenfell, Dillon Read, Mgn. Stanley		Half Paper	70	1991	7	8	99 1/2	Bay. Vereinsbank	8.95
Sanwa Bank	150	2004	28	1/4	100	CSFB, Sumitomo Bank, Mgn. Stanley, Salomon Bros.		JFM	100	1991	7	7 1/2	100	Deutsche Bank	7.525
Tokyo Elec. Power	100	1989	5	13 1/4	100	Country Bank	13.375	CMA	100	1994	10	8 1/2	100	West LB	8.125
Chicomp	100	1985	2	14	100	Quadrat Secs., Blyth Eastman		Qst. Donaukraftwerke	100	1994	10	8	100	BHF-Bank	8.800
Sapporo Breweries	30	1989	5	13 1/2	100	Palme Wehler	14.880	<b>SWISS FRANCS</b>							
Coca-Cola Exp. Corp.	100	1989	5	12 1/4	95 1/4	Yamaichi Int., Salomon Bros.	13.500	Mitsui Elec. Co.	30	1989	-	2 1/2	100	Bl. Julius Baer	2.500
BHP (a)	250	1996	12	1/4	100	Mgn. Guaranty, CSFB, Deutsche, SBCI, UBS Secs.	12.821	Nippon Cable	48	1989	-	2 1/2	100	Bque. Paribas (Suisse)	2.500
BHP (a) (b)	125	1996	12	1/4	100	Daiva Secs., Nomura Secs.		Kagami Tsutsumi	30	1989	-	2 1/2	100	Nomura (Suisse)	2.500
Mitsubishi Corp.	100	1989	5	13 1/4	100	Yamaichi Int., Mgn. Stanley	13.250	Hokkaido Elec. Power	100	1989	-	6	100	SBC	5.000
Societa Generale	100	1991	7	14	100	Sec. Gen., Lehman Bros., Merrill Lynch	14.880	Asian Dev. Bank	100	1994	-	6 1/4	100	CS	6.250
First Fed. of Michigan	75	1989	5	13 1/4	100	Bque. Paribas, SBCI	13.250	Tohoku Elec. Power	100	1989	-	6	100	UBS	5.000
Texaco Inc.	200	1989	5	13 1/2	100	CSFB, Deutsche, Mgn. Guaranty, SBCI, UBS Secs.	13.500	Maringa	70	1989	-	2 1/2	100	CS	
								Kingona Rubber	20	1989	-	2 1/2	100	CS	
<b>CANADIAN DOLLARS</b>								<b>STERLING</b>							
Dupa. Indonez	75	1991	7	14	100	Merrill Lynch, Bque. Indonez	14.000	New Zealand	100	2014	30	11 1/2	82.680	SG Warburg	12.432
								<b>GULDERS</b>							
								BFCE	150	1994	8	9	99 1/4	ABN, Amro Bank	9.845
<b>D-MARKS</b>								<b>YEN</b>							
Environa	100	1992	8	7 1/4	99 1/4	Deutsche Bank	7.783	KFPC	5bn	1991	6.4	8	100	Witko Secs., Daiwa Secs.	8.160
Ford Credit Cos.	75	1989	5	7 1/4	100	Commerzbank	7.625	World Bank	30bn	1996	10.32	7.7	99.50	Daiwa Secs.	7.916

\* Not yet priced. † Final terms. \*\* Placement. ‡ Floating rate note: coupon is spread over six-month Libor. (a) Spread over mean of 6-month bid and offered rate. (b) Placement in Asia. ‡ Extenible each two years to 1994. Note: Yield are calculated on AIBD basis.

This announcement appears as a matter of record only



## Republic of Iceland

### U.S. \$90,000,000 Medium Term Multi-currency Loan

Arranged by

**Morgan Guaranty Trust  
Company of New York**

**Enskilda Securities  
Skandinaviska Enskilda Limited**

Managed and Provided by

- |  |   |
|--|---|
| <b>Bank of Helsinki Ltd</b>                          | <b>The Bank of Tokyo, Ltd.</b>  |
| <b>Credit Agricole</b>                               | <b>Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft</b> |
| <b>The Hokkaido Takushoku Bank, Limited</b>          | <b>Kansallis-Osake-Pankki</b>   |
| <b>The Mitsui Trust and Banking Company, Limited</b> | <b>The Mitsubishi Bank, Limited</b>   |
| <b>PKbanken International (Luxembourg) S.A.</b>      | <b>Morgan Guaranty Trust Company of New York</b>                                |
| <b>Sparebanken Oslo Akershus</b>                     | <b>Skandinaviska Enskilda Banken</b>  |
| <b>Sparekassen SDS</b>                               | <b>The Sumitomo Trust and Banking Co., Ltd.</b>                                 |

Agent Bank

**Morgan Guaranty Trust Company of New York**

June 1984

NEW ISSUE

These Debentures being sold, this announcement appears as a matter of record only.

## Can. \$75,000,000 HYDRO-QUÉBEC

(An agent of the Crown in right of Province de Québec)

### 14% Debentures, Series FP, Due July 5, 1991

Unconditionally guaranteed by

### PROVINCE DE QUÉBEC

Merrill Lynch Capital Markets

- |   |   |
|---|---|
| <b>Algemene Bank Nederland N.V.</b>                 | <b>Amro International Limited</b>                     |
| <b>Bank Brussel Lambert N.V.</b>                    | <b>Banque Générale du Luxembourg S.A.</b>             |
| <b>Banque Internationale à Luxembourg S.A.</b>      | <b>CIBC Limited</b>                                   |
| <b>Continental Illinois Capital Markets Group</b>   | <b>Crédit Lyonnais</b>                                |
| <b>Credit Suisse First Boston Limited</b>           | <b>Dresdner Bank Aktiengesellschaft</b>               |
| <b>Kredietbank International Group</b>              | <b>Lévesque, Bcaubien Inc.</b>                        |
| <b>Samuel Montagu &amp; Co. Limited</b>             | <b>Orion Royal Bank Limited</b>                       |
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| <b>Swiss Bank Corporation International Limited</b> | <b>Union Bank of Switzerland (Securities) Limited</b> |
| <b>S.G. Warburg &amp; Co. Ltd.</b>                  | <b>Wood Gundy Limited</b>                             |

Yamaichi International (Europe) Limited

- |  |   |  |
|--|---|--|
| <b>Banco del Gottardo</b>                        | <b>BankAmerica Capital Markets Group</b>  | <b>Bank Gutzwiller, Kurz, Bungenier (Overseas) Limited</b> |
| <b>Bank Mees &amp; Hope NV</b>                   | <b>Banque Paribas</b>   | <b>Banque Populaire Suisse S.A. Luxembourg</b>             |
| <b>Banque Worms</b>                              | <b>Bayerische Landesbank Girozentrale</b>                                       | <b>Bayerische Vereinsbank Aktiengesellschaft</b>           |
| <b>Chase Manhattan Capital Markets Group</b>     | <b>Chemical Bank International Group</b>  | <b>PK Christiania Bank (UK) Limited</b>                    |
| <b>Chase Manhattan Limited</b>                   | <b>Country Bank Limited</b>   | <b>Credit Commercial de France</b>                         |
| <b>COMMERZBANK Aktiengesellschaft</b>            | <b>Creditanstalt-Bankverein</b>   | <b>Dai-ichi Kangyo International Limited</b>               |
| <b>Credit du Nord</b>                            | <b>Deutsche Bank Aktiengesellschaft</b>   | <b>DG BANK Deutsche Genossenschaftsbank</b>                |
| <b>Daiwa Europe Limited</b>                      | <b>Enskilda Securities Skandinaviska Enskilda Limited</b>                       | <b>Europenn Banking Company Limited</b>                    |
| <b>Dominion Securities Pitfield Limited</b>      | <b>Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft</b> | <b>Goldman Sachs International Corp.</b>                   |
| <b>Hambros Bank Limited</b>                      | <b>Handelsbank N.W. (Overseas) Ltd.</b>   | <b>IBJ International Limited</b>                           |
| <b>Kleinwort, Benson Limited</b>                 | <b>Landesbank Rheinland-Pfalz - Girozentrale -</b>                              | <b>McLeod Young Weir International Limited</b>             |
| <b>Mitsubishi Finance International Limited</b>  | <b>Morgan Grenfell &amp; Co. Limited</b>  | <b>Morgan Guaranty Ltd</b>                                 |
| <b>Morgan Stanley International</b>              | <b>Nederlandsche Middelenstandsbank N.V.</b>                                    | <b>Nederlandse Credietbank NV</b>                          |
| <b>The Nikko Securities Co. (Europe) Ltd.</b>    | <b>Nomura International Limited</b>   | <b>Norddeutsche Landesbank Girozentrale</b>                |
| <b>Pierson, Holding &amp; Pierson N.V.</b>       | <b>Rabobank Nederland</b>   | <b>Richardson Greenstields of Canada (UK) Limited</b>      |
| <b>Salomon Brothers International Limited</b>    | <b>Sumitomo Trust International Limited</b>                                     | <b>Swenska Handelsbanken Group</b>                         |
| <b>Vercins - und Westbank Aktiengesellschaft</b> |   | <b>Westdeutsche Landesbank Girozentrale</b>                |

July, 1984

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US BONDS

Second thoughts on prospects of a Fed tightening

THE NEW YORK bond market came through a difficult trading week in somewhat better shape than the world currency or gold centres. Last week's calmness could be misleading, however. Activity was restrained both by the double-barrelled Treasury auctions and by the break for the July 4 holiday. All Fed reservations about Federal Reserve attitudes and the pace of the U.S. economy were still in place.

or else there could be another of the bond market's fire sales, with prices suddenly slashed. Faced with these pressures, the market scrutinised the Federal Reserve's market activity more closely than ever. The Federal funds rate traded just over 11 per cent. Bond market yields are already discounting a rate closer to 11 1/2 per cent with the FOMC meeting still a week away.

But last week also brought some second thoughts on the prospect of a Fed tightening. Seasonal pressures on bank reserves are still strong, and this may cause the Fed to hold back until the FOMC meeting. Both Dr Henry Kaufman of Citicorp Brothers and Mr Philip Braverman of the Federal Reserve may even come to the aid of the Treasury coupon market this week by purchasing bonds to ease digestion of the new 20-year issue.

Also discouraging Mr Volcker from taking too vigorous a grip may be the prospect of poor earnings reports from the banks for the second quarter, which could raise their borrowing costs in the money market. The renewed surge in the dollar indicates the perception in foreign exchange centres of the outlook for U.S. interest rates. A move by the Fed to tighten interest rates might drive the dollar higher still, with serious implications for the less developed countries' debts to U.S. banks.

The gold and commodity markets, on the other hand, appear to be signalling deflation, or at least a moderation of inflation fears. With such a variety of factors to consider, next week's FOMC meeting faces a level debate. On balance, the bond market still believes that the Federal Reserve will be obliged to tighten the reins soon. But the strength of the contrary arguments, on the other hand, is such that a move to think again.

There is at least a possibility the Fed will not firm significantly in the July 16-17 FOMC meeting, warns Mr Braverman. If it does not, then the bond market will have to think again.

Terry Byland

U.S. Steel employees to buy Johnstown operation

BY TERRY DODSWORTH IN NEW YORK

THREE FORMER employees and a local businessman have set up a profit-sharing company to acquire the assets of the city's steelworks from U.S. Steel, which announced plans to close the 1,400-man operation six months ago.

The Johnstown works specialised in constructing heavy steel mill equipment such as specialty rail cars and coke oven doors. U.S. Steel, the largest of the U.S. steel producers, decided to shut down the business in December and wrote off the cost of closure as part of the \$1.6bn provision made at the end of the 1983 fiscal year.

Johnstown Corporation, the name of the new company, until November. The city of Johnstown is also helping with the financing of the deal. Johnstown Corporation is to be headed by John Sheehan, an independent local businessman who was formerly connected with Martin Marietta and Corning GCS, and was for a while a member of the Federal Reserve Board. Mr Joseph Wilson, former general manager, will become president, and two other senior executives of the defunct company will join the management team.

Radio telephone monopoly lost

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Telephone Company (Telco) has failed in its bid to retain a monopoly of mobile radio telephone systems in the territory following a court decision to grant licences to Hutchison Radio Telephone and China Telecom Systems. Telco, which is an associate of Cable and Wireless, was granted a radio telephone licence in January, it tried to prevent other competitors on the grounds that this would conflict with the

Hong Kong Telephone Ordinance. This grants Telco the sole right to supply and operate public telephone communications in the territory, to June 30 1985. An arbitration committee ruled yesterday that a radio telephone service providing mobile radio telephones, was "not within the concession conferred on Telco". Both prospective competitors were initially awarded licences in April.

New chief at B.F. Goodrich

B. F. GOODRICH COMPANY has appointed Mr Patrick C. Ross as its new president and chief executive officer. Mr Ross has been named vice president and operating officer, and Mr Leigh Carter has been named vice president and operating officer. The executive office also includes Mr John D. Ong, who gives up his post of president but remains chairman and chief executive officer. Mr Ross, who has recently announced that he will retire on October 1 as vice chairman and a director. Mr Ross has been executive vice president and president of the tyre group and Mr Carter has been executive vice president and president of the engineered products group.

Watson's retirement. Mr Watson, 63, has been company chairman since October 1981. Before becoming B.C. Resources vice chairman and chief executive of Western Mining Ltd, one of its subsidiaries. CONSOLIDATED NATURAL GAS COMPANY has elected Mr Charles D. Johnson as its new chief financial officer, succeeding Mr E. Andrew Offutt, who will retire on August 1. Mr Offutt, a senior vice-president, will also step down as director of consolidated. Mr Johnson remains a corporate vice-president and will relinquish his current duties as treasurer to Mr David R. Kuzma, who moves up from assistant treasurer—finance. As part of the new alignment, Mr Johnson will relocate from Consolidated's New York City office to its headquarters in Pittsburgh.

Mr A. A. (Tony) Webb, formerly senior vice-president merchant banking, for The Royal Bank of Canada in Toronto, has been appointed managing director of THE ROYAL BANK OF CANADA (USA) in New York. Mr Webb succeeds Ms Suzanne

INTERNATIONAL APPOINTMENTS

CITIBANK, N.A., has appointed Mr Ricardo de Lorenzo as country corporate director for Argentina (Suisse). Mr Lorenzo was previously the bank's corporate banking head in the Ivory Coast, is now based in Dakar. Mr Berthold Lindqvist, manager of group planning and control, has been appointed executive vice president in the CONSOLIDATED GROUP. He succeeds Mr Leuzart Nilsson who has been appointed president and chief executive officer. Mr Lindqvist will maintain responsibility for group planning and control. GOTAAS-LARSEN has promoted two of its senior members to director. Mr Bjorne Thygesen has been named vice president fleet operations (LNG), with responsibility for the company's fleet of liquefied natural gas carriers. Mr Theodor Svan was appointed director (LNG). Mr Svea Mikkelson has been named vice president fleet operations, with responsibility for the company's VLCCs, chemical carriers and liquefied petroleum gas carrier. Mr

Mikkelsen was fleet director (cargo). Mr Edward E. Shea, former chairman of the board of Reichhold Chemicals Inc, has been elected senior vice president, general counsel and secretary of GAF CORPORATION. He has been a member of GAF's board of directors since December 1983. Prior to joining GAF, Mr Shea had been a partner in the New York law firm of Windels Marx Davies and Ives, which he joined in 1981. Mr Dick Elliott has been appointed a director of SIMON ENGINEERING (AUSTRALIA) PTY. LTD, the holding company of Simon Carves Australia and Henry Simon Australia at North Ryde, NSW. He is manager of the food industries division for Australia and New Zealand. Mr WARTSILA has appointed Mr Ake Weikman executive vice president in charge of the shipbuilding division. Mr Wolfram is managing director of the Turkish Shipyards, and will take up his new duties from the beginning of 1985, when execu-

Owners swap two Malaysian banks

BY WONG SULONG IN KUALA LUMPUR

MR DAIM Zainuddin, one of the most influential figures on the Malaysian corporate scene, and Multi-Purpose Holdings, the biggest Malaysian Chinese corporate group, have reached a deal exchanging ownership and control of two banks. Under the deal signed over the weekend, MPH will sell its 40.7 per cent stake in United Malayan Banking Corporation to two of Mr Daim's companies, Dani and Daan Sdn Berhad. The price is still undisclosed, but is believed to be around 250m ringgit (US\$105m).

has only two branches, although it is seeking permission to open up a dozen more. Bank Indosuez of France holds 30 per cent of the bank with the remaining 19 per cent held by the Knok foundation. Mr Tan Koon Swan, MPH's managing director, said MPH wants to build it up into a leading Malaysian bank. MPH and Mr Daim bought their stakes in UMBC and the Malaysian French Bank respectively about two years ago. Originally, MPH was to buy 51 per cent in UMBC, but because of strong objections by influential Malay groups, including elements within the ruling United Malaya National Organisation, it had to scale down its purchase to 40.7 per cent and share joint ownership with French Indosuez.

The deal, which is subject to approval by the Malaysian authorities, is seen as mutually beneficial to both parties. Mr Daim, who is a close adviser to Mr Mahathir Mohamad, the Prime Minister, will end up with control over a much larger bank. UMBC is Malaysia's third largest bank in retail terms, with 50 branches, and fourth in paid-up capital. However, MPH will have long standing aim of having effective control of a commercial bank, albeit a very small one. The Malaysian French Bank

He was promoted group product manager in 1983 and transferred to Geneva in July 1983 to his current position, where he coordinated overall planning and execution of marketing activities as well as special market development projects. He was vice-president Christian Mr Leuzart Nilsson will still continue as a member of the board. At the same time the managing director of the Helsinki Shipyards, Mr Martin Saarikangas has been appointed deputy head of the shipbuilding division from the beginning of 1985. Mr Saarikangas will continue as managing director of the Helsinki Shipyards, a post he has held since 1981. The Wartsila group is one of the largest industrial companies in Finland. R. J. REYNOLDS TOBACCO INTERNATIONAL has appointed Mr Pierre de Leobacher regional director, Scandinavia/Iceland. Formerly marketing manager for EFTA, Eastern European countries, Europe duty free and military business, he will relocate from Geneva to Stockholm. He was promoted group product manager in 1983 and transferred to Geneva in July 1983 to his current position, where he coordinated overall planning and execution of marketing activities as well as special market development projects.

31st JULY 1984 REDEMPTION

TRANSALPINE FINANCE HOLDINGS S.A. U.S.\$20,000,000 6 3/4% LOAN 1985

Transalpine Finance Holdings S.A. announces that for the redemption period ending on 31st July 1984 it has purchased and cancelled bonds of the above Loan for U.S.\$89,000 nominal capital and tendered them to the Trustee. The nominal amount of bonds to be drawn for redemption at par on 31st July 1984 to satisfy the Company's current redemption obligation is accordingly U.S.\$1,086,000 and the nominal amount of this Loan remaining outstanding after 31st July 1984 will be U.S.\$1,200,000.

DRAWING OF BONDS

Notice is accordingly hereby given that a drawing of bonds of the above Loan took place on 22nd June 1984 attended by Mr William Briggs, Registrar of the firm of John Vann & Sons, Notary Public, under 1,086 bonds for a total of U.S.\$1,086,000 nominal capital were drawn for redemption at par on 31st July 1984, from which date all interest thereon will cease. The following are the numbers of the bonds drawn:

Table with columns for bond numbers and corresponding values. Includes entries like 181 2008 269 284 297 316 401 904 905 907 908 911 912 1158 1162 1167 1170 1171 1175 1177...

Witness: W. B. Kennair, Notary Public.

The above bonds may be presented for payment of the proceeds of redemption at par on or after 31st July 1984 at the offices of the paying agents named on the coupons in the manner specified in Condition 5 of the Terms and Conditions of the Loan printed on the bonds. Each of these bonds when presented for redemption must bear the coupon dated 31st July 1983, otherwise the amount of the missing coupon will be deducted from the sum to be repaid.

Principal Paying Agent: N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4ADU.

31st July 1984

FT INTERNATIONAL BOND SERVICE

Table with columns for country, bond type, and price/yield. Includes sections for U.S. DOLLAR STRAIGHTS, EURO BOND TURNOVER, U.S. \$ BONDS, and CONVERTIBLE BONDS.

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Lazard's holds 19.2% of Pearson

Lazard Brothers has disclosed that it holds 19.2 per cent of its parent, Pearson, the banking, publishing and industrial group which owns the Financial Times.

Sarasota Technology offer at 132p

Sarasota Technology, which was bought out from Redland in a \$5.4m management deal a couple of years ago, is coming to the Stock Exchange via an offer for sale valuing the company at \$23.3m.

Barclays Merchant Bank is offering 5.87m shares in Sarasota Technology at 132p each, giving a p/e of 17.1 based on a 46 per cent tax charge.

The company will raise \$3.4m through the offer of 3m new shares, equal to 16.7 per cent of the equity.

Operating profits declined from £1m to £722,000 prior to the management buy-out, but since then there has been an impressive improvement to £2.43m on turnover of \$8.44m in the year to end-March 1984.

Valor buys into more oil wells

ADDITIONS to its oil and gas interests are being made by Valor, the home appliance company. It is expanding in the U.S. by buying into 51 producing oil wells, where water injection recovery is planned to increase the current return.

Greenfields Leisure jumps to £170,000

Pre-tax profits at Greenfields Leisure more than trebled from £54,000 to £170,000 in the six months to April 30 1984. The interim dividend is unchanged at 0.25p—last year's total was 0.75p from losses of £153,000.

Powell Duffryn recovers strongly in engineering

THE PROFIT improvement achieved by the Powell Duffryn group in 1983-84 was widely based, says the chairman Lord Sandon in his annual statement.

Dead crocodiles force closure of Ok Tedi mine

THE PRESENCE of dead crocodiles and turtles in the Ok Tedi River has alerted the Papua New Guinea authorities to an accidental escape of sodium cyanide from the nearby Ok Tedi gold mine, and the mine has been closed.

Ok Tedi has already experienced a number of problems during the construction phase, including a drought, unusual in the region, which normally experiences annual rainfall of some 400 inches, and landslides.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Other information not available as to whether the dividends are interim or final and the subscription issue are based mainly on last year's timetable.

Interim: Bactolates, Delmar, Deanna Electrical, Securguard, Webber Electro Components, Carle Engineering, May and Hassell, A. Monk.

This advertisement is published by J. Henry Schroder Wagg & Co. Limited on behalf of Enterprise Oil plc.

IMPORTANT MESSAGE FOR SHAREHOLDERS Do not tender any shares to RTZ

Dear Shareholder,

As you are aware, RTZ owns 14.7 per cent of the share capital of Enterprise and is now offering to buy a further 15.1 per cent at up to 110p per share (partly paid). On 3rd July we advised shareholders to take no action in respect of this offer until they had heard further from us.

Enterprise shares are an excellent investment. The offer for sale prospectus highlighted Enterprise's investment attractions—the quality and spread of its exploration and production interests, the experience of its management team, the strength of its balance sheet and cash flow, its usable tax capacity and its prospects for expansion.

City and press reaction to the Company was favourable. The price at which the shares were offered for sale was considered attractive. The underwriting was easily completed. In the event, the offer for sale was substantially under-subscribed due to a softening in oil prices.

Nevertheless, the investment attractions of Enterprise at current price levels remain clear. We have been advised that a number of leading institutional investors do not intend to tender their shares as they regard them as a long-term investment. In addition, a major institution has recently announced that it has built up an interest of close to 10 per cent in the Company and has confirmed that it regards this as a long-term holding.

RTZ's tender price is too low. RTZ has demonstrated the clear intention of acquiring the largest possible stake in Enterprise as a means of expanding its oil and gas interests. It is now seeking to achieve this commercial objective by offering a maximum price of 195p (fully paid) compared with the minimum tender price of 185p in the offer for sale to the public. This represents a premium of a mere 5 per cent.

RTZ's tender at such a low premium represents an attempt to exploit the temporarily unsettled market conditions following the offer for sale. The price in no way reflects the value of the underlying assets of the Company. Your Board, its financial advisers and market commentators consider this to be significantly higher than RTZ's tender price.

You should not allow RTZ to acquire a stake of 29.8 per cent without paying a substantial premium over the investment value of the shares.

Enterprise has great potential as an independent British oil company. Enterprise is Britain's fifth largest oil company. We have already embarked on a programme for the vigorous development of the business. There are exciting opportunities available to us. We do not need RTZ, whose oil and gas interests are significantly smaller, to enable us to realise our potential.

We have an experienced and professional management team with considerable oil industry expertise. We have an ungearred balance sheet and substantial resources. We are well capable of financing our own development and of achieving long-term growth in earnings and assets per share for the benefit of shareholders.

We believe that Enterprise would derive no benefit from having RTZ as a substantial minority shareholder. Indeed, RTZ is a competitor and is attempting to expand in the main area in which Enterprise will grow. We foresee potential conflicts of interest. However, we are willing to have discussions with RTZ, as with other companies, to explore whether any commercial opportunities exist which can be pursued in the interests of all our shareholders. Any such discussions with RTZ will not be made easier by its shareholding in Enterprise.

Conclusion. Your Board and its financial advisers consider that it is not in your long-term interests for RTZ to gain control of 29.8 per cent of Enterprise. You are strongly advised NOT TO TENDER any of your shares.

Yours faithfully,

W. E. Bell

Chairman

Benlox pays £3m for Arnold & Nathan

Benlox Holdings says a conditional contract has been exchanged for the purchase of the whole of the issued share capital of Arnold and Nathan. A&N comprises a group of companies located in and principally engaged in civil engineering, building and contracting in South-east England.

GRE-Aquis terms

TERMS have been agreed for Guardian Royal Exchange Assurance's offer to acquire Aquis Securities, a property investment and development company. GRE already owns 16.2m Aquis ordinary shares (64.5 per cent) as well as 11.8m convertible shares and has offered to buy remaining ordinary shares at either 55p per share or two GRE shares for every 21 shares of Aquis.

Cater Allen

Cater Allen's rights issue has been taken up to as over 89 per cent. The balance has been sold at a premium over the issue price of 26.3p per share.

FT Share Information

The following securities have been added to the FT Share Information Service: Homecap (Section: Electricals); Houston Natural Gas Corporation (Americans); Microtec (Electricals); Nationwide Building Society 11pc 3/6/85 (Loans—Building Societies); News International (News-papers, Publishers); Save and Prosper Return of Assets Inv (SPRAIT); ordinary, warrants and cum ltd pig pfd (Investment Trusts).

LADBROKE INDEX

Based on FT Index 810-814 (-12) Tel: 01-493 6261

EQUITIES

Table of equity prices including columns for Issue, Price, Amount, and Stock. Includes entries for Appuldurgh, Do. Warrants, and various other stocks.

FIXED INTEREST STOCKS

Table of fixed interest stocks including columns for Issue, Price, Amount, and Stock. Includes entries for Border & Southern, Do. Deb. Stk., and various other bonds.

"RIGHTS" OFFERS

Table of rights offers including columns for Issue, Price, Amount, and Stock. Includes entries for Broken Hill Prop., Canning, and various other companies.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus\*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Table of pending dividends with columns for Date, Announcement last year, and Date. Lists companies like Acrow, Associated, and various others.

BIDS AND DEALS IN BRIEF

In one of the largest disposals so far of the assets of Midlands Industries, which collapsed in May, a management team at RMI (Smethwick) is taking over the foundry in a deal involving £1.5m including new working capital. Mr Gordon Butler and Mr Keith Setters, managing director and financial director respectively of RMI (Smethwick), are buying the assets of RMI and have put up £250,000 from their own resources for 75 per cent of the equity. ICFE is backing them with equity and loan capital and taking the remaining 25 per cent of the shares. Royal Bank of Scotland is providing the working capital. RMI has been the mainstay of Midlands Industries' profits in recent years, and produces about 15,000 tonnes a year of grey castings for a wide range of customers. Its dependence on the automotive sector now accounts for only half its output. Mr Butler feels the foundry has an "excellent future." It is on target for a record £5m turnover this year and the order book is at its highest ever level. As a result of the purchase of 25,000 ordinary shares in Hartens Group at 47p, Michael Maimann has taken his interest in the company to 3.97m ordinary shares (13.8 per cent). Following this acquisition, Max Maimann, his family and associates, are interested in 18.55m ordinary shares (63.95 per cent). Osborne and Sons (London) holds an interest in 2.93m shares (11.16 per cent) in Foodstuffs Agricultural Industries, following a purchase on July 4. Unilever announced that the transfer of J. P. Woollam of Shropshire, poultry rearer and processor, to Unigate had been completed with effect from June 1.

FINANCIAL TIMES STOCK INDICES

Table of financial times stock indices including columns for Date, High, Low, and Since. Lists indices like Government Secs, Fixed Interest, Industrial Ord, and FT-ALL All-Share.

The above letter was sent to Enterprise Oil shareholders on Friday, July 6th 1984







# INTERNATIONAL COMPANIES and FINANCE

James Buxton, recently in Belo Horizonte, reports on the unexpected rewards reaped by an Italian car group's determination in South America

## Fiat leads Brazil's private-sector exporters

WHEN FIAT decided in 1973 to start making cars in Brazil and exploit the fast expanding Brazilian domestic market, it hardly expected that 10 years later it would be congratulating itself on becoming the country's leading private-sector exporter.

In those days it reckoned that the Brazilian market would by now be absorbing well over 1m cars a year. In fact, as a result of the recession, it is expected to take only about 700,000 cars this year, and to grow only sluggishly in the next few years.

So Fiat's exports last year of cars and engines worth more than \$300m made a big contribution to sustaining the Turin-based company's Brazilian operations, in which it has invested nearly \$600m since the mid-1970s. Fiat has therefore pushed forward the process where-by Brazil has turned into a small but significant supplier to other parts of the world's motor industry.

Fiat's manufacturing operations in Brazil have, however, been through many vicissitudes along the way and by 1983 had accumulated losses of about \$600m. It was only last year that Fiat Automoveis, the Brazilian subsidiary, made its first operating profit since it began producing cars in 1978. In the past three years the parent company in Turin, Fiat Auto, which heads the car division of the Fiat SpA group, has had to put in \$300m of new capital.

Part of that went to preparing for the introduction in Brazil this autumn of the Fiat Uno - a clear sign that Fiat is not only locked in Brazil but is determined to stay there. The company's confidence in Brazil is underlined by its withdrawal in the past two years from car making and assembly in the four other South American countries in which it has been involved: Argentina, Chile, Colombia and Uruguay.

Brazil is now Fiat's second largest area of operations outside Italy, although its losses mar the performance of Fiat Auto. Last year Fiat Auto made the first profits since it was set up as a separate company in 1978.

For years, Fiat had virtually ignored Brazil, concentrating on Argentina, where it did well in the 1950s and 1960s. But Fiat began to realise that Argentina, with its haphazard economic management, low population growth and relatively unproductive workforce, was no match for Brazil with its soaring population (120m against Argentina's 25m) and an industrial labour force now considered the keenest and most easily trained in South America.

Other car makers had already appreciated that: Volkswagen, with half the Brazilian car market in

1979 - when it reached a record level of 900,000 cars - was flanked by General Motors and Ford. Fiat believed it could sell between 180,000 and 200,000 cars a year in a market that seemed set to go up to 1m or 1.2m units a year in the early 1980s.

Fiat decided not to follow the other companies to Sao Paulo, Brazil's main industrial centre, but to go to Belo Horizonte in Minas Gerais State - a decision determined by the state Government's offer of cheap land and the 45 per cent stake in Fiat Automoveis it took to get Fiat going and create its own industrial zone. But the decision also meant that Fiat faced higher transport costs, being further away from suppliers and the big markets.

From the start, Fiat had to spend more than it planned, because the decision to go in was taken before the 1974 oil price rise. It borrowed heavily in dollars. Soon after car sales began in 1976, the Brazilian car market faltered for the first time. "Everything was out of phase," says Sig Valentino, managing director of Fiat Automoveis.

Even so, the car Fiat introduced into Brazil was well received. The Fiat 147 is a version of the small Fiat 127 specially strengthened for Brazilian roads and the long jour-

neys Brazilians make. Fiat was also the first company to produce a car powered by alcohol made from sugar cane, in response to the Government's crash programme to cut oil imports.

But the car, which the company says was more sophisticated than its rivals at the time, was also relatively expensive to buy. Although Fiat won 12 per cent of the record 1979 market, the market collapsed the next year under the second oil shock, going down by 40 per cent.

"We suffered most because the other companies were much more rooted in the market and had lower capital costs," says Sig Valentino. They also improved their products to compete with us. We had the frustration of having output much lower than our investment costs warranted, and unlike them we were having to teach our workforce an industrial culture for the first time.

A plant built to produce 200,000 cars a year and a further 150,000 engines, with its foundry nearby, under a separate company, to make engine blocks and other steel and aluminium parts, was making little more than 100,000 cars a year. Fiat reacted by putting its 7,000-strong factory workforce on to a single shift instead of the intended two,

and cutting white-collar staffing levels to the bone. There was nothing for it but to step up exports.

Exports had always been a minor part of Fiat's plan. The Brazilian Government's stringent curbs on imports of machinery and components are eased a little for companies that promise to export. Fiat is committed to export \$150m worth of products by 1985, with higher targets for later years. Yet by 1983 exports had already totalled \$1.4bn.

The original intention had always been to export engines and spare parts and cars to other Latin American markets. Those progressively collapsed. But in 1981, Fiat began exporting cars outside Latin America.

In 1982, some 103,000 cars were exported to a value of \$380m, and although the number fell to 75,000 in 1983 it was still slightly more than the 71,000 cars sold on the Brazilian market. Fiat exports cars, pick-ups, and Fiorino vans based on the 127/147 to such places as Venezuela, Argentina, West Africa, Algeria, and Taiwan, and even sells about 10,000 127's a year to Western Europe, including Italy. Diesel motors made at Belo Horizonte are shipped to Italy for installation in such cars as the Fiat Uno diesel.

Yet exports did not make Fiat Automoveis profitable. The original target year for breaking even, 1981, came and went with another loss, although exports are subsidised by the Government in the form of a rebate on Brazilian sales tax - a concession that Fiat reckons is worth 26 per cent of the invoice price on exported products.

Exports still made losses, until in February 1983 the Brazilian Government devalued the cruzeiro by 30 per cent - having in many people's view kept it overvalued too long. That played a leading role in allowing Fiat Automoveis to make its first operating profit last year - amounting to some 22 per cent on sales of \$650m. However, the effect of devaluation on debt contributed heavily to a net loss of about \$40m.

Brazil has told the International Monetary Fund that it will reduce the export subsidies by mid-1985, but no one in business believes they will fail to be replaced by something else, since exports are crucial if the country is ever to service its colossal debt.

Fiat's main objective in Brazil is still the local market, where things are tough. It has held on to about 10 per cent of a market for cars and light vans that rose just 7 per cent last year to 687,000. The market has

become intensely competitive, with the other manufacturers bringing out more sophisticated models than Brazil has seen before - such as the Ford Escort, which is exported to Scandinavia, and the GM Chevette - and is subject to price control. Both the U.S. groups are eating into Volkswagen's market share.

Fiat has suffered from having had only one model - with different versions - for too long, limiting what its dealers could offer to the public. That is to be remedied with the introduction of the Uno in September. It ought to appeal both to the less well-off Brazilian car buyer, and to the richer ones who appreciate its style and degree of comfort. The 147 will stay on, and there are plans for introducing a new car specifically designed for the Brazilian market in the next year or so.

Even so, Fiat is expecting its market share to rise only a percentage point or so a year with the help of the Uno, and Sig Vincenzo Barelli, the marketing director, does not expect the car market to regain the levels of 1979 until the end of this decade.

So has it all been worth it? Mistakes were made: the plant is too big for the market, Fiat borrowed too heavily - and in revaluation-

prone dollars - rather than injecting sufficient capital; and it was slow to introduce new models. Although the figures are necessarily hazy because of the devaluation of the cruzeiro, Fiat put in \$280m up to 1982, when the company had to be recapitalised, costing the Italian company another \$200m. A further \$100m had to be put in last year.

But that leaves out the contribution of the minority shareholder, the State of Minas Gerais, which has put in \$370m in capital, and yet - because it could not afford to subscribe to the last recapitalisation - has seen its stake go down from 45 per cent to 17 per cent. Its profits too are in the future, although it has got the industrial zone it wanted, even if that looks a little recession-worn now.

"What we have finally got is a very efficient machine which will eventually make a lot of money," says Sig Giorgio Tagliavini, managing director of the local holding company, Fiat Brazil. He points out that Fiat has restructured its borrowing of \$200m so that two thirds is in local currency, without exchange risk, and Fiat executives like to claim that today it would cost \$1.5bn to create what they have got.

They draw comfort from the fact that Fiat Automoveis broke even on a net basis in the first few months of this year. Now it is up to Brazil to fulfil expectations.

## Gulf Canada drilling crucial for Beaufort

BY ROBERT GIBBENS IN MONTREAL

THIS season's drilling in the Beaufort Sea's deeper waters will be critical for the future course of exploration. Gulf Canada Resources must come up with indications of commercial oil at its Pitsulak and Amaligak locations, or exploration in the Canadian Beaufort will run down swiftly.

Gulf and partners have about 350m barrels in Tarsit, near Pitsulak, but need at least 700m in proved reserves to justify starting development. Testing of Pitsulak starts this week, with results due in late July.

Gulf has invested more than

C\$600m (U.S.\$452m) in unique drilling equipment for the Beaufort and is operator and 51 per cent owner of Pitsulak.

Success at the two wells being tested this year would mean Gulf would apply for a production permit next year, in partnership with Imperial Oil (Exxon) which first found oil in the MacKenzie Delta at Adkins Point in 1971 and has since found more in shallow waters offshore.

A small diameter pipeline down the MacKenzie Valley to Norman Wells and Northern Alberta would be possible.

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BankAmerica Corporation

## Yorkshire Bank Base Rate

With effect from 9th July 1984

Base Rate will be changed from 9 1/4% to 10% p.a.



Yorkshire Bank

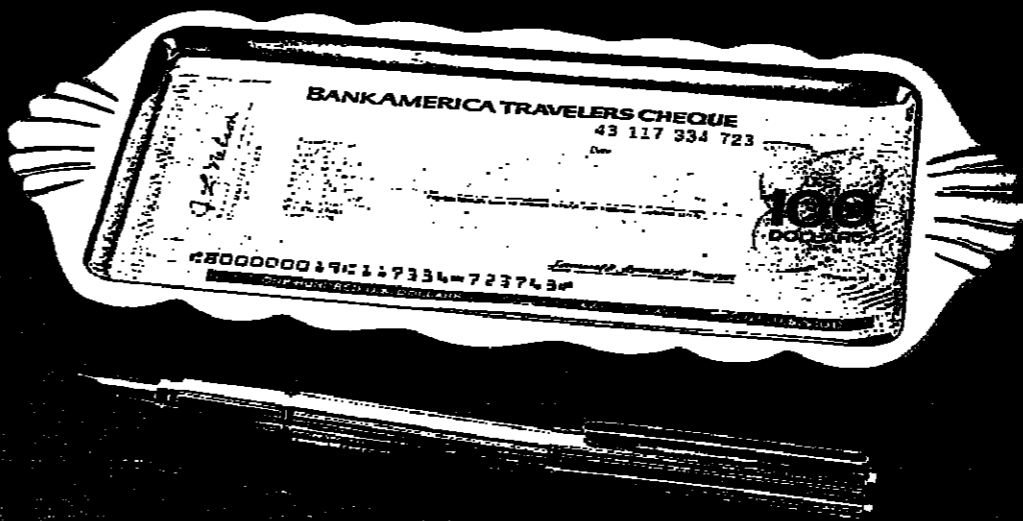
Yorkshire Bank PLC Registered No. 117413 England Registered Office: 20 Merion Way Leeds LS2 8NZ

## Hill Samuel Base Rate

With effect from the close of business on July 6th, 1984, Hill Samuel's Base Rate for lending will be increased from 9 1/4 per cent to 10 per cent per annum.

Interest payable on the Bank's Demand Deposit Account will be at the rate of 6 1/2 per cent per annum.

Hill Samuel & Co. Limited 100 Wood Street, London EC2P 2AJ. Telephone: 01-628 8011.



Closing prices, July 6

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Stock	Dr. Yld. P/E	100s High	Low	12 Month Low	Stock	Dr. Yld. P/E	100s High	Low	12 Month Low	Stock	Dr. Yld. P/E	100s High	Low	12 Month Low	Stock	Dr. Yld. P/E	100s High	Low	12 Month Low
12.14	AAA	4.21	22	21	19.14	AAA	4.21	22	21	19.14	AAA	4.21	22	21	19.14	AAA	4.21	22	21	19.14
12.14	AA	4.21	22	21	19.14	AA	4.21	22	21	19.14	AA	4.21	22	21	19.14	AA	4.21	22	21	19.14
12.14	A	4.21	22	21	19.14	A	4.21	22	21	19.14	A	4.21	22	21	19.14	A	4.21	22	21	19.14
12.14	B	4.21	22	21	19.14	B	4.21	22	21	19.14	B	4.21	22	21	19.14	B	4.21	22	21	19.14
12.14	C	4.21	22	21	19.14	C	4.21	22	21	19.14	C	4.21	22	21	19.14	C	4.21	22	21	19.14
12.14	D	4.21	22	21	19.14	D	4.21	22	21	19.14	D	4.21	22	21	19.14	D	4.21	22	21	19.14
12.14	E	4.21	22	21	19.14	E	4.21	22	21	19.14	E	4.21	22	21	19.14	E	4.21	22	21	19.14
12.14	F	4.21	22	21	19.14	F	4.21	22	21	19.14	F	4.21	22	21	19.14	F	4.21	22	21	19.14
12.14	G	4.21	22	21	19.14	G	4.21	22	21	19.14	G	4.21	22	21	19.14	G	4.21	22	21	19.14
12.14	H	4.21	22	21	19.14	H	4.21	22	21	19.14	H	4.21	22	21	19.14	H	4.21	22	21	19.14
12.14	I	4.21	22	21	19.14	I	4.21	22	21	19.14	I	4.21	22	21	19.14	I	4.21	22	21	19.14
12.14	J	4.21	22	21	19.14	J	4.21	22	21	19.14	J	4.21	22	21	19.14	J	4.21	22	21	19.14
12.14	K	4.21	22	21	19.14	K	4.21	22	21	19.14	K	4.21	22	21	19.14	K	4.21	22	21	19.14
12.14	L	4.21	22	21	19.14	L	4.21	22	21	19.14	L	4.21	22	21	19.14	L	4.21	22	21	19.14
12.14	M	4.21	22	21	19.14	M	4.21	22	21	19.14	M	4.21	22	21	19.14	M	4.21	22	21	19.14
12.14	N	4.21	22	21	19.14	N	4.21	22	21	19.14	N	4.21	22	21	19.14	N	4.21	22	21	19.14
12.14	O	4.21	22	21	19.14	O	4.21	22	21	19.14	O	4.21	22	21	19.14	O	4.21	22	21	19.14
12.14	P	4.21	22	21	19.14	P	4.21	22	21	19.14	P	4.21	22	21	19.14	P	4.21	22	21	19.14
12.14	Q	4.21	22	21	19.14	Q	4.21	22	21	19.14	Q	4.21	22	21	19.14	Q	4.21	22	21	19.14
12.14	R	4.21	22	21	19.14	R	4.21	22	21	19.14	R	4.21	22	21	19.14	R	4.21	22	21	19.14
12.14	S	4.21	22	21	19.14	S	4.21	22	21	19.14	S	4.21	22	21	19.14	S	4.21	22	21	19.14
12.14	T	4.21	22	21	19.14	T	4.21	22	21	19.14	T	4.21	22	21	19.14	T	4.21	22	21	19.14
12.14	U	4.21	22	21	19.14	U	4.21	22	21	19.14	U	4.21	22	21	19.14	U	4.21	22	21	19.14
12.14	V	4.21	22	21	19.14	V	4.21	22	21	19.14	V	4.21	22	21	19.14	V	4.21	22	21	19.14
12.14	W	4.21	22	21	19.14	W	4.21	22	21	19.14	W	4.21	22	21	19.14	W	4.21	22	21	19.14
12.14	X	4.21	22	21	19.14	X	4.21	22	21	19.14	X	4.21	22	21	19.14	X	4.21	22	21	19.14
12.14	Y	4.21	22	21	19.14	Y	4.21	22	21	19.14	Y	4.21	22	21	19.14	Y	4.21	22	21	19.14
12.14	Z	4.21	22	21	19.14	Z	4.21	22	21	19.14	Z	4.21	22	21	19.14	Z	4.21	22	21	19.14

Continued on Page 27



AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 5

شركة الصناعات

Table of American Stock Exchange Composite Closing Prices for July 5, 1984. Columns include stock symbols, prices, and changes. Includes a handwritten note 'شركة الصناعات' at the top.

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Table of New York Stock Exchange Composite Closing Prices for July 5, 1984. Columns include stock symbols, prices, and changes.

Prices are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration.

Dividend also extra) b-annual rate of dividend plus stock dividend. c-cumulative dividend. d-new year low. e-dividend declared or paid in preceding 12 months. f-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid in year, credited, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulation issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. n-1st day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. s-1=split 1-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new year high. v-trading halted. w-bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities issued by such companies. w-when distributed. w-when issued. w-with warrants. x-ex-dividend or ex-rights. x-when distribution. y-without warrants. y-ex-dividend and sales in full. y-yield. z-sales in full.

World value of the dollar every Friday in the FINANCIAL TIMES



WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, July 6

Table of over-the-counter stock prices with columns for stock name, sales, high, low, last, and change. Includes various companies like AGC, AGS, AMR, etc.

CANADA

TORONTO Closing prices July 6

Table of Canadian stock prices from Toronto, including companies like Agri-Pro, Agri-Gen, Agri-Ind, etc.

AUSTRIA

1984 High Low July 6 Price %

Table of Austrian stock prices, including companies like Creditanstalt, Erste Bank, etc.

NORWAY

1984 High Low July 6 Price %

Table of Norwegian stock prices, including companies like Borsgaard Bank, etc.

HONG KONG

1984 High Low July 6 Price %

Table of Hong Kong stock prices, including companies like Bank East Asia, etc.

AMERICAN

Table of American stock prices, including companies like IBM, Microsoft, etc.

SWITZERLAND

Table of Swiss stock prices, including companies like Swissair, etc.

ITALY

Table of Italian stock prices, including companies like IRI, etc.

SPAIN

Table of Spanish stock prices, including companies like Banco de España, etc.

SOUTH AFRICA

Table of South African stock prices, including companies like Anglo American, etc.

Continued on Page 29

NOTES: Prices on this page are quoted on the individual exchange and are last traded prices. Dealers suspended, ad Ex dividend, ad Ex corp issue, ad Ex rights, ad Ex ill.



# WORLD STOCK MARKETS

## OVER-THE-COUNTER

Continued from Page 28

Stock	Sales	High	Low	Last	Chg
Shell	120	3 1/2	3 1/4	3 1/4	+1/4
BP	120	3 1/2	3 1/4	3 1/4	+1/4
Esso	120	3 1/2	3 1/4	3 1/4	+1/4
Amoco	120	3 1/2	3 1/4	3 1/4	+1/4
Exxon	120	3 1/2	3 1/4	3 1/4	+1/4
Agip	120	3 1/2	3 1/4	3 1/4	+1/4
Eni	120	3 1/2	3 1/4	3 1/4	+1/4
Elf	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Aquitaine	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Energy	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Chemicals	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Pharmaceuticals	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Cosmetics	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Finance	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Insurance	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Real Estate	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Utilities	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Transport	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Media	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Entertainment	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Technology	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Telecommunications	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Energy Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Chemical Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Pharmaceutical Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Cosmetic Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Financial Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Insurance Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Real Estate Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Utility Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Transport Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Media Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Entertainment Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Telecommunications Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Energy Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Chemical Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Pharmaceutical Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Cosmetic Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Financial Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Insurance Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Real Estate Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Utility Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Transport Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Media Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Entertainment Services	120	3 1/2	3 1/4	3 1/4	+1/4
Elf Telecommunications Services	120	3 1/2	3 1/4	3 1/4	+1/4

## Indices

### NEW YORK

Index	July 6	July 7	July 8	July 9	1984 High	1984 Low	Since Comp'n
Dow Jones	1182.57	1184.56	1184.26	1182.40	1288.84	1088.80	187.7
Industrial Div. Yield %	64.85	64.85	64.85	64.85	64.85	64.85	0.00
Transport	474.59	478.52	479.42	473.22	474.16	412.85	61.31
Utilities	195.67	194.47	194.27	194.47	194.28	122.55	71.92
Trading Vol.	68,850	66,100	69,960	69,250	91,770	-	-

### STANDARD AND POORS

Index	July 6	July 7	July 8	July 9	1984 High	1984 Low	Since Comp'n
Industrial Div. Yield %	175.97	174.01	174.74	174.74	186.54	163.24	23.30
Comp'n's	152.24	152.76	152.76	152.76	152.76	152.76	0.00
Industrial Div. Yield %	4.27	4.19	4.27	4.27	4.27	4.27	0.00
Industrial P/E Ratio	10.75	10.96	10.77	10.77	10.77	10.77	0.00
Long Gov. Bond Yield	13.56	13.51	13.51	13.51	13.51	13.51	0.00

### N.Y.S.E. ALL COMMON

Index	July 6	July 7	July 8	July 9	1984 High	1984 Low	Since Comp'n
Composite	87.90	88.17	88.33	88.33	97.71	86.17	11.54

### TORONTO

Index	July 6	July 7	July 8	July 9	1984 High	1984 Low	Since Comp'n
Metals & Min.	107.78	107.88	108.11	108.27	127.85	101.01	26.84

### MONTREAL

Index	July 6	July 7	July 8	July 9	1984 High	1984 Low	Since Comp'n
Metals & Min.	107.78	107.88	108.11	108.27	127.85	101.01	26.84

### NEW YORK ACTIVE STOCKS

Stock	Sales	High	Low	Last	Chg
AT&T	1,352,800	53	52	52	+1/2
IBM	802,100	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	897,400	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	941,900	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	583,900	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
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US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
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St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
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Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
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IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
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Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

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Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
US Tech	120	11 1/2	11 1/4	11 1/4	+1/4
IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

### NEW YORK ACTIVE STOCKS (Cont.)

Stock	Sales	High	Low	Last	Chg
US Steel	43	12 1/2	12 1/4	12 1/4	+1/4
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IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

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Stock	Sales	High	Low	Last	Chg
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IBM	120	17 1/2	17 1/4	17 1/4	+1/4
Gen. Elec.	120	4 1/4	4 1/4	4 1/4	+1/4
Dyn. Sys.	120	20 1/2	20 1/4	20 1/4	+1/4
St. Oil Ind.	120	5 1/4	5 1/4	5 1/4	+1/4

# CONSTRUCTION CONTRACTS

## £12.5m work for Wimpey Construction UK

build a new telephone exchange at Itri, while at Izki, again for the Ministry of Posts and Telecommunications, Douglas is to build a radio tower valued at around £100,000.

**WIMPEY CONSTRUCTION** has won orders worth £12.5m. The Property Services Agency has awarded the Glasgow office a £10.8m management contract for phase two of a category three prison complex at Shotts, Southside. This phase will comprise accommodation for 450 prisoners, complete with facilities for physical recreation, kitchens, stores, reception area, the fitting out of a workshop. Sleeping accommodation will be in two pairs of three-story 117-cell blocks, each linked by corridor to the others. A new operations room will be formed on the first floor of the existing operations block and will house monitors, alarms and communication plant.

The London office has been awarded two contracts by the Borough of Ealing. Under the first, valued at £1.6m, Wimpey will modernise 111 dwellings on the Village Park Estate. A second contract calls for a £1.2m refurbishment of 112 dwellings on the Cuckoo Estate, Hanwell. Both contracts entail extensive internal and external modernisation of houses, with installation of new kitchens, bathrooms and central heating.

**BAIROUR BEATTY CONSTRUCTION** has been awarded a contract by Yoker Housing Association. Valued at £1m, the 48-week contract is for the complete rehabilitation of four-storey tenement and common closes in Dumbarton Road, Yoker, Glasgow. The works will partially comprise major structural repairs including taking down and rebuilding large areas of front and rear walls, and underpinning. Bairour Beatty



AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as British Group-Continued, Alliance Unit Trusts, and others, with columns for fund names, managers, and performance metrics.

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FT UNIT TRUST INFORMATION SERVICE

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F.T. CROSSWORD PUZZLE No. 5460

- 1 Vessel for cooking in (6)
2 Grandfather clock (3-5)
3 Someone who has graduated...
4 ...
5 ...
6 ...
7 ...
8 ...
9 ...
10 ...
11 ...
12 ...
13 ...
14 ...
15 ...
16 ...
17 ...
18 ...
19 ...
20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...
27 ...
28 ...
29 ...
30 ...

Crossword puzzle grid with numbers 1-31 indicating starting positions for the clues.

6 Characteristics which sound very French (6)
7 Make detailed arrangements for survey on strike (3, 3)
8 Comparatively rosy, which ever way one looks at it (6)
9 Music played when students have a ball? (7)
10 ...
11 ...
12 ...
13 ...
14 ...
15 ...
16 ...
17 ...
18 ...
19 ...
20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...
27 ...
28 ...
29 ...
30 ...

20 No deed is able to bring about unilateral change (3-5)
21 Ragged, but with members around to provide support (6)
22 Climber needs to have relative dimensions right (6)
23 Frequently has a joint representative (6)
24 Foreign currency does make changes with copper content (6)
25 The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCES

Table listing various insurance companies and their services, including Allianz, Aviva, and others, with columns for company names and details.



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd, National Provident Institution, Life Assur. Co. of Pennsylvania, Lloyd's Life Assurance, etc.

Save & Prosper Group, Target Life Assurance Co. Ltd, Schwab Life Assurance, etc.

GAL Investments (IOM) Ltd, British Overseas Invest Ltd, Capital International Fund, etc.

Marine Midland (CI) Ltd, Midland Nat. Corp. (Jersey) Ltd, Sunbelt Trust Funds, etc.

OFFSHORE AND OVERSEAS

Arbuthnot Investment Fund SA, Albany Fund Management Limited, Alliance Capital Management Ltd, etc.

Money Market Trust Funds

Malvern Ltd, The Money Market Trust, etc.

Money Market Bank Accounts

Alban Name, The Money Market Trust, etc.

NOTES - Interest rates shown by a downward arrow and an annual percentage rate adjusted for frequency of interest.







INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Telecom, and various manufacturing firms.

LEISURE—Continued

Table of leisure and entertainment stocks including British Airways, British Telecom, and various media and leisure companies.

PROPERTY—Continued

Table of property and real estate stocks including various real estate investment trusts and property companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including various equity and income trusts.

OIL AND GAS—Continued

Table of oil and gas stocks including various energy and oil companies.

DAIICHI EUROPE LIMITED For EQUITIES & BONDS. Contact information for London EC1Y 4TQ.

MINES—Continued

Table of mining stocks including various metal and coal mining companies.

INSURANCES

Table of insurance stocks including various insurance companies.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks.

PROPERTY

Table of property stocks.

TOBACCO

Table of tobacco stocks.

PLANTATIONS

Table of plantation stocks.

MISCELLANEOUS

Table of miscellaneous stocks including various other companies.

TEAS

Table of tea stocks.

MINES

Table of mining stocks.

Far West Rand

Table of Far West Rand mining stocks.

O.F.S.

Table of O.F.S. stocks.

Options—3-month call rates

Table of 3-month call rates for various options.

Finance

Table of finance stocks.

Oil and Gas

Table of oil and gas stocks.

Diamond and Platinum

Table of diamond and platinum stocks.

Central Africa

Table of Central Africa stocks.

Recent Issues and Rights

Table of recent issues and rights for various companies.

This service is available to every company... Exchanges throughout the United Kingdom...



# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

### Pressure on the exchanges

By COLIN MILLHAM

Sterling fell to successive record lows against the dollar last week, and also touched its lowest ever point on a trade-weighted basis.

After showing weakness for several days the pound declined to an all time low of \$1.3095 on Friday morning, and also lost 0.9 per cent to a record 77.4 at the opening trade-weighted index.

At this point the Bank of England intervened and quickly pushed the pound back up to around \$1.32. During the morning the clearing banks raised their base rates to 10 per cent from 9 per cent, and this helped boost sterling to a high of \$1.3280, but the underlying strength of the dollar put downward pressure on the pound once again.

It drifted down steadily to finish at a record closing low of \$1.3170-1.3180, a fall of 3.90 cents on the week.

The pound also fell to DM 3.7750 from DM 3.7725; FF 11.46 from FF 11.5775; SwFr 3.1425 from SwFr 3.1625; and ¥117.50 from ¥122.

The closing trade-weighted index of 77.4 compared with 79.1 at the end of the previous week.

Talks aimed at resolving the coal strike appeared to be going better than feared, and by Friday it was also clear that the UK authorities were no longer standing in the way of higher interest rates, but as the week drew to a close there was more than a suspicion that base rates would require another increase before the overall pressure eased on the pound.

## THE POUND SPOT AND FORWARD

July 8	Day's spread	Close	One month	% Three months
U.S.	1.3095-1.3280	1.3170-1.3180	0.15-0.15	0.15-0.15
Canada	1.7000-1.7400	1.7440-1.7450	0.20-0.24	0.24-0.27
Denmark	6.78-6.22	6.21-6.22	1/16-1/16	3/8-3/8
France	75.30-75.30	75.35-75.35	0.15-0.15	0.15-0.15
Netherlands	13.89-13.70	13.88-13.89	0.21-1.50	1.50-2.35
Italy	1.1275-1.2270	1.2270-1.2270	0.00-0.20	0.00-0.20
West Germany	3.70-3.70	3.73-3.74	1/16-1/16	3/8-3/8
Portugal	182.80-197.78	194.00-195.10	25-170c	6-37
Spain	161.00-21.00	211.20-211.40	70-100c	4-73
Sweden	2.22-2.22	2.21-2.21	1/16-1/16	3/8-3/8
Norway	20.88-20.75	20.71-20.72	1.50-2.70	2-26
Japan	11.281-11.275	11.27-11.27	0.00-0.00	0.00-0.00
Switzerland	10.86-10.94	10.85-10.90	2.00-3.10	2-83
Japan	319-319	317-318	1.21-1.09	4.29-3.40
Austria	26.00-26.15	26.10-26.15	0-20	2.78-1.01
Switz.	3.11-3.15	3.13-3.14	1/16-1/16	3/8-3/8

## OTHER CURRENCIES

July 8	£	/\$	Note Rates
Argentina Peso	69.68-69.82	52.77-52.83	86.10-86.40
Australia Dollar	1.5605-1.5635	1.1855-1.1850	75.40-77.20
Brazil Cruzeiro	201.6-217.5	1.741-1.754	15.63-15.77
Canada Dollar	1.7000-1.7400	1.7440-1.7450	11.44-11.56
Denmark Krone	6.78-6.22	6.21-6.22	3.71-3.74
France Franc	75.30-75.30	75.35-75.35	1.11-1.11
Germany Mark	3.70-3.70	3.73-3.74	1.11-1.11
Italy Lira	1.1275-1.2270	1.2270-1.2270	1.11-1.11
Japan Yen	11.281-11.275	11.27-11.27	1.11-1.11
Netherlands Guilder	13.89-13.70	13.88-13.89	1.11-1.11
Portugal Escudo	182.80-197.78	194.00-195.10	1.11-1.11
Spain Ptas	161.00-21.00	211.20-211.40	1.11-1.11
Sweden Krona	2.22-2.22	2.21-2.21	1.11-1.11
Switzerland Franc	3.11-3.15	3.13-3.14	1.11-1.11
U.A.E. Dirham	4.8525-4.8575	3.6720-3.6730	1.11-1.11

## EMS EUROPEAN CURRENCY UNIT RATES

July 8	£	/\$	% change from central	% change from adjusted	Divergence
Bolivia Franc	45.4008	45.3971	+1.11	+1.02	-1.8447
Danish Krone	8.14104	8.1420	+0.57	+0.48	-1.8425
German D-Mark	2.24194	2.2448	-0.33	-0.42	-1.2482
French Franc	6.57627	6.5877	-0.33	-0.42	-1.2482
Dutch Guilder	2.52395	2.5267	-0.21	-0.30	-1.8425
Irish Punt	0.72889	0.730379	+0.20	+0.28	-1.8425
Italian Lira	1402.49	1371.71	-2.20	-2.20	-1.8425

## EXCHANGE CROSS RATES

July 4	Pound Sterling	U.S. Dollar	Deutsche m/k	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.318	3.755	317.5	11.46	3.143	4.215	2895.	1.785	75.90
U.S. Dollar	0.759	1	2.858	241.2	8.706	2.388	3.201	1743.	1.327	57.66
Deutsche Mark	0.268	0.285	1	85.01	3.088	0.841	1.189	613.9	0.487	20.32
Japanese Yen	3.150	3.150	11.76	1000.	35.09	9.090	13.26	7250.	5.494	239.1
French Franc 10	0.873	0.873	2.389	277.1	1	0.287	3.678	2000	1.828	66.23
Swiss Franc	0.218	0.218	0.649	101.0	0.287	1	1.341	725.0	0.514	19.15
Dutch Guilder	0.577	0.577	1.589	75.33	0.710	0.746	1	545.3	0.414	18.01
Italian Lira	0.436	0.436	1.209	138.5	4.999	1.371	1.000	0.761	0.761	33.11
Canada Dollar	0.778	0.785	2.141	168.0	6.589	1.801	2.416	1314	1	45.51
Belgian Franc 100	1.318	1.318	3.621	416.3	16.10	4.140	5.253	3080.	2.898	100.

## EURO-CURRENCY INTEREST RATES (Market closing rates)

July 8	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-Mark	French Franc	Italian Lira	Belgian Franc	Fin. Conv.	Yen	Danish Kroner
Short term	10-10 1/2	11-11 1/2	11 1/2-11 3/4	6 1/4	5 3/4-5 3/8	8 1/4	11-11 1/4	14 1/2-15 1/4	11-11 1/2	10 1/2-11 1/4	8 1/2-8 3/4	12 1/2-13 1/4
7 days notice	10 1/2-11	11-11 1/2	11 1/2-11 3/4	6 1/4	5 3/4-5 3/8	8 1/4	11-11 1/4	14 1/2-15 1/4	11-11 1/2	10 1/2-11 1/4	8 1/2-8 3/4	12 1/2-13 1/4
1 month	10 1/2-11	11-11 1/2	11 1/2-11 3/4	6 1/4	5 3/4-5 3/8	8 1/4	11-11 1/4	14 1/2-15 1/4	11-11 1/2	10 1/2-11 1/4	8 1/2-8 3/4	12 1/2-13 1/4
Three months	10 1/2-11	11-11 1/2	11 1/2-11 3/4	6 1/4	5 3/4-5 3/8	8 1/4	11-11 1/4	14 1/2-15 1/4	11-11 1/2	10 1/2-11 1/4	8 1/2-8 3/4	12 1/2-13 1/4
Six months	10 1/2-11	11-11 1/2	11 1/2-11 3/4	6 1/4	5 3/4-5 3/8	8 1/4	11-11 1/4	14 1/2-15 1/4	11-11 1/2	10 1/2-11 1/4	8 1/2-8 3/4	12 1/2-13 1/4
One year	11-11 1/2	12 1/2-13 1/4	13 1/2-14 1/4	7 1/4	6 1/4-6 1/2	9 1/4	12 1/2-13 1/4	17 1/2-18 1/4	12 1/2-13 1/4	11 1/2-12 1/4	9 1/2-10 1/4	13 1/2-14 1/4

Asian \$ (closing rates in Singapore): Short-term 11 1/2-11 3/4 per cent; seven days 11 1/2-11 3/4 per cent; one month 11 1/2-11 3/4 per cent; three months 12 1/2-13 1/4 per cent; six months 12 1/2-13 1/4 per cent; one year 13 1/2-14 1/4 per cent. Long-term Eurodollars: two years 14 1/4 per cent; three years 14 1/4 per cent; four years 14 1/4 per cent; five years 14 1/4 per cent nominal closing rate. Short-term rates are call for U.S. banks; Japanese yen; two days' notice.

## MONEY MARKETS

### Awaiting further developments

London clearing banks raised their base lending rates to 10 per cent on Friday in response to upward pressure on money market rates. Sterling fell to record lows against the dollar as US interest rates held firm, with the Federal funds rate in New York generally well over 11 per cent.

Three-month sterling interbank was around 8 1/2 per cent until Thursday when the rate firm to 9 1/2 per cent, and then to 9 3/4 per cent on Friday morning. At about the same time the pound was falling to a record low against the dollar and on a trade-weighted basis. This was followed by announcements from the clearing banks that base rates had been increased.

Intervention by the Bank of England in the money market on Friday caused some confusion, with dealers generally expecting a rate on longer dated paper of 9 1/2 per cent. When the authorities declined to deal at that rate, and eventually made all buying rates on bills from band 1 to band 4 10 per cent the market was left wondering whether there might be early scope for another rise in base rates.

In June the Prime Minister and the Bank of England led the market to believe that there was certainly no need for a rise in UK interest rates, but both made the strong proviso that London rates could not remain immune from events in the U.S., and a further climb in New York rates.

Matters are now rather confused, with everyone waiting for further developments. It is fairly obvious that the authorities cannot hold out for a slow down in U.S. economic growth at some time in the second half of the year, and therefore less upward pressure on U.S. rates.

If money supply and public sector borrowing are under reasonable control, and will cause less concern in the second half than in the first, then the only valid reason for higher base rates must be the pound's weakness on the foreign exchanges. If this is the case dealers are suggesting that a rise of at least 1 per cent is required to give sterling any real support, and judging by Friday's events when the pound weakened despite higher base rates, this might well be true.

There were very few new factors supporting the dollar, but the consensus seemed to be that U.S. interest rates would be higher, and that this week's Federal Open Market Committee meeting might well tighten monetary policy because of the sharp growth in U.S. gross national product during the first half of the year.

President Reagan said that he was distressed by the high level of interest rates, but did not intend to do anything about it. This only added to the dollar's strength, and with Federal funds very firm above 11 per cent the dollar advanced to a record FF 8.7655 against the French franc; 11,741.50 against the Italian lire; and also to all time peaks against Scandinavian currencies. In terms of the D-mark the close of DM 2.8375 on Friday was not far below January's ten year high of DM 2.8255, while the rate of SwFr 3.3575 against the Swiss franc is about a seven-year peak, and Friday's close of ¥241.20 against the yen is the highest since last September.

### MONEY RATES

July 6	Frankfurt	Paris	Zurich	Amsterdam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11 1/2	5-4	6-6 1/4	6.00-6.75	10 1/2-10 3/4	10.80	10-10 1/2
One month	5.75-5.90	11 1/2-11 3/4	4 1/2-4 3/4	6-6 1/4	6.00-6.75	10 1/2-10 3/4	11-11 1/4	10-10 1/2
Three months	6.00-6.15	11 1/2-11 3/4	4 1/2-4 3/4	6 1/4-6 1/2	6.25-7	10 1/2-10 3/4	11 1/2-11 3/4	10 1/2-10 3/4
Six months	6.25-6.40	11 1/2-11 3/4	4 1/2-4 3/4	6 1/2-6 3/4	6.50-7.25	10 1/2-10 3/4	11 3/4-12 1/4	10 1/2-10 3/4
One year	6.50-6.65	11 1/2-11 3/4	4 1/2-4 3/4	6 3/4-6 3/4	6.75-7.50	10 1/2-10 3/4	12 1/4-13 1/4	10 1/2-10 3/4

### LONDON MONEY RATES

July 6	Sterling	Interbank	Local Authority Deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
2 days notice	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
7 days notice	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
1 month	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
Three months	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
Six months	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
One year	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2

### DISCOUNT HOUSES DEPOSIT AND BILL RATES

July 6	Sterling	Interbank	Local Authority Deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
2 days notice	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
7 days notice	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
1 month	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2
Three months	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
Six months	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
One year	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2

## FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING	July 6	July 5
11.00 a.m. July	10 1/2	10 1/2
Three months U.S. dollars	10 1/2	10 1/2
bid 12 1/2 offer 12 1/2	10 1/2	10 1/2
Six months U.S. dollars	11 1/2	11 1/2
bid 12 1/2 offer 12 1/2	11 1/2	11 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas de Paris and Morgan Guaranty Trust.

EGGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period June 6 to July 3 1984 (inclusive): 9.488 per cent. Local authorities and finance houses seven days' notice, clearing seven days' fixed. Finance Houses Rate published by the Finance Houses Association: 9 1/2 per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rate for sums at seven days' notice 9 1/2 per cent. Treasury Bills: Average tender rate of discount 8.802 per cent. Certificate of Deposit (Series 8): Deposit of £100,000 and over held under one month 9 1/2 per cent; three months 10 1/2 per cent; six months 10 1/2 per cent; one year 11 1/2 per cent. Deposits held under Series 4-5 10 1/2 per cent. The rate for all deposits withdrawn for cash 7 per cent.

## FINANCIAL FUTURES

### LONDON

THREE-MONTH EURODOLLAR	Close	High	Low	Prev
Sept	87.21	87.28	87.17	87.37
Oct	86.50	86.58	86.48	86.66
Nov	85.11	85.14	85.05	85.25
Dec	85.80	85.83	85.77	85.84
Jan	85.55	85.55	85.69	85.69
Feb	85.55	85.55	85.69	85.69
March	85.55	85.55	85.69	85.69
Estimated volume 4,584 (13,789)				
Previous day's open int 13,660 (13,628)				

### CHICAGO

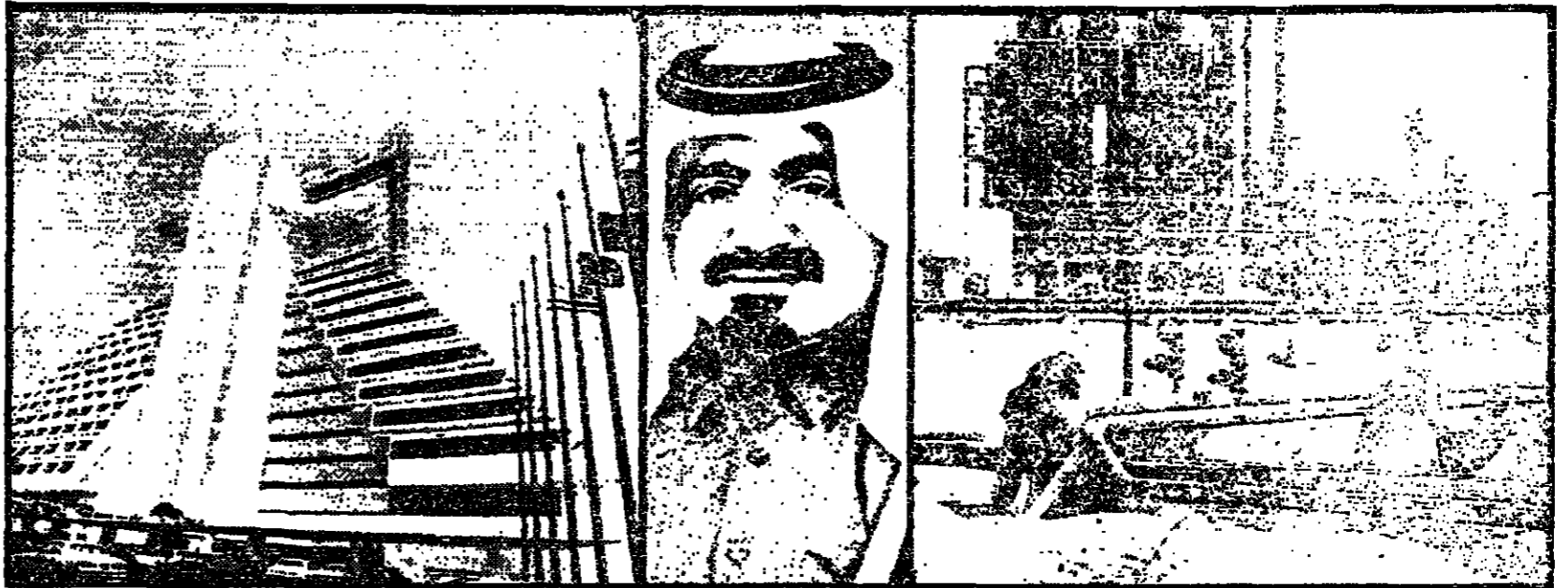
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FINANCIAL TIMES SURVEY

QATAR

With oil prices firming and production rising, Qataris are hopeful that the country can soon emerge from its two-year recession. The escalation of the Gulf War is, however, placing question marks against future recovery.



The new Sheraton Hotel in Doha (left); the Amir, Sheikh Khalifa bin Hamad of Qatar; and the LNG plant at Umm Said

By STEWART DALBY

FOR QATAR the past weeks and months have been particularly worrying. The escalation of the Iran-Iraq war into attacks on shipping in the Gulf has brought the conflict uncomfortably close. Of less immediate concern but, nevertheless, of importance to Qatar's future has been the debate on whether to develop its major asset the offshore north gas field.

The concern about Iran's intentions needs to be kept in perspective. Qataris are not besieging the country's one airport in order to leave. They are not putting to sea in small boats, and they are not clearing the supermarkets in anticipation of an invasion by the Iranians.

The government knows, however, that, if left to its own devices, it is virtually defenceless. Qatar took possession of its first eight jet interceptor jets, Mirage F1s from France, only this year. It has three combatant small patrol vessels equipped with Exocet missiles, but as yet, neither a military airport nor a proper naval base.

Few Qataris really expect the Iranians to take hostile

military action against the state, even though Qatar, along with Saudi Arabia, has been a large aid donor to Iraq. (Qatar once boasted it was the largest per capita aid donor in the Middle East, though with the decline in oil revenues this is probably no longer the case).

Possession of the 11,000 sq kilometres peninsula would be of little strategic value. The population is only 250,000 people, more than half of whom live in the capital Doha and its environs. The rest of the country is largely arid desert which abuts on to Saudi Arabia, itself mostly desert. Qatar would not provide an ideal springboard to invade anywhere else; nor would it give a better vantage point than Iran already has for interfering with shipping in the Gulf.

Enthusiastic

Cautious in its foreign policy, Qatar usually follows the Saudi Arabian line. It has been an enthusiastic supporter of the six country Gulf Co-operation Council's drive for close liaison on defence, and is now placing considerable reliance on this.

Qatar feels that Saudi Arabia's air superiority over Iran (Saudi Arabia has 170 combat aircraft while it is doubtful whether Iran, at the moment can field more than 50 combat offensive aircraft) combined with Oman's and the United Arab Emirates' armed strength will be sufficient - deterrent

against Iranian adventurism in the peninsula.

What does really concern Qataris is that further attacks on shipping and a closure of the Straits of Hormuz even for a short period, would lock the country firmly into the recession which it has endured for the past two years, and from which it has just been showing signs of emerging, with oil prices firming and production rising to a reputed 400,000 barrels a day.

Qatar is particularly affected by any disruption to shipping. It does not have an oil pipeline, and is entirely dependent on the Straits, through which all its oil exports pass.

Moreover, despite diversification of the economy with the building of a fertiliser plant, a steel works and a petrochemical complex, it still earns more than 90 per cent of revenues from oil.

It has been affected, over the past year by the decline in demand for oil worldwide. In spite of being one of the smallest members of the Organisation of Petroleum Exporting Countries (Opec), accounting for less than 2 per cent of production, Qatar has, nevertheless felt obliged to stick to the quota arrangements of May 1981 which allocated it 300,000 b/d, which allocated it 300,000 b/d.

In 1981, when demand was still strong, Qatar made \$5.5bn from an average production of 506,000 b/d. Last year Qatar could not even sell 300,000 b/d. Average production was 280,000

b/d and it is thought some \$80m of barter deals were concluded with contractors and suppliers. It is doubtful, as a result, whether Qatar earned \$3bn from oil. Even this would not have been enough to cover current and capital expenditures.

As Mr Ali Jaideh, the managing director of the Qatar General Petroleum Corporation says, "Qatar cannot live with just 300,000 barrels of oil a day."

Exodus

One IMF estimate puts currency and other reserves at \$5bn. Qatar itself does not reveal reserves figures, but it is thought three years ago reserves were over \$10bn.

A budget deficit would indeed have resulted from dwindling revenues both last year and this had not the government, which accounts for over 50 per cent of GDP with its expenditures cut back on a number of projects, Sheikh Khalifa bin Hamad al Thani, the Amir, is said to sign personally any cheque for more than \$50,000.

Last year if the complaints of western contractors are to be believed the Amir virtually stopped signing altogether and work came grinding to a halt across a wide range of activities.

One consequence has been an exodus from among the migrant workforce attracted to Qatar by the building boom, with some

reports putting the numbers that have left as high as 60,000. The large number of migrants has led the 70,000-strong native Qatari population to feel swamped on occasions.

It is a matter of quiet relief that some of the departees have been Shia Muslims from Iran and elsewhere. Qatar, as a result, no longer has a significant Shia population, able if it chose, to foment internal unrest.

The slowdown in construction activity may well prove to be limited in its effects. Most of Qatar's infrastructure, including roads, schools and hospitals is in place. The most pressing project still hanging fire is the \$75m Wusail power and desalination plant, and it seems likely that this project will be signed some time later this year.

Providing the sea lanes stay open, then Qatar can look forward to the immediate future in a sanguine way. The economy does appear to be picking up sufficiently to put the country back on a modest growth track. Existing reserves of 4.7bn barrels give Qatar 25 years of oil at the 400,000 b/d level.

Unlike some other Gulf states Qatar does not have to worry about what happens when the oil runs out. Reserves of gas in the North field, offshore are 120,000bn, and could be as high as 300,000bn. This would give Qatar gas for nearly 100 years, most of it for export.

All systems go on one of the world's largest fields

Gas STEWART DALBY

AFTER MUCH agonising Qatar has decided to go ahead with the development of its huge North Field gas development.

That it would exploit the reserves in some way was never really in doubt. The country's domestic utilities and its fledgling industries - its fertiliser plant, steel works and petrochemical complex - all run off gas.

At the moment about half of demand, some 600m cu ft a day, is met by associated gas from the onshore and offshore oil fields. This is topped up with non-associated gas from the Khuff field near the Dukkan oil reservoir on the southwest side of the peninsula.

The Khuff field has a capacity of 600m cu ft per day. But the field is due to peak in 1988 and the authorities do not want to exhaust it prematurely.

There is probably an excessive demand on the Khuff field already, since with oil production of 300,000 b/d the oil fields are not producing as much associated gas as needed.

time of writing, have a firm buyer for the LNG signed up and the plan seems a bold and, to some minds, even a rash scheme.

The North Field was discovered in 1972 by Royal Dutch/Shell group. In 1980 Wintershall, the Western German group which is an associate of BASF, announced it had found a southern extension.

Known reserves of the field are 150,000bn cu ft. Experts are moving towards the view that probable reserves are of the order of 300,000bn cu ft. This would make the field one of the biggest if not the biggest in the world. It covers an area of 1,000 sq kilometres and is 40 kilometres north to north-east of the peninsula.

It was originally thought that Qatar would develop the field modestly, making use of Wintershall's concession which amounts to around one-fifth of North Field. This area, known as K2, is largely around the southern edges of the field. It is in relatively shallow water and easily accessible.

The investment involved is nearly as much as Qatar has pumped into its industries and infrastructure in the past 10 years. But the main surprise is that the project is being embarked upon when there is a glut not only of crude oil but also gas and gas products on the world market. Add in the fact that Qatar does not, at the

recession of the past two or three years, Qatar needs to exploit its large natural gas asset.

The general expectation was that Qatar would develop the field piecemeal to meet its own comparatively modest needs and some of the needs of its immediate neighbours.

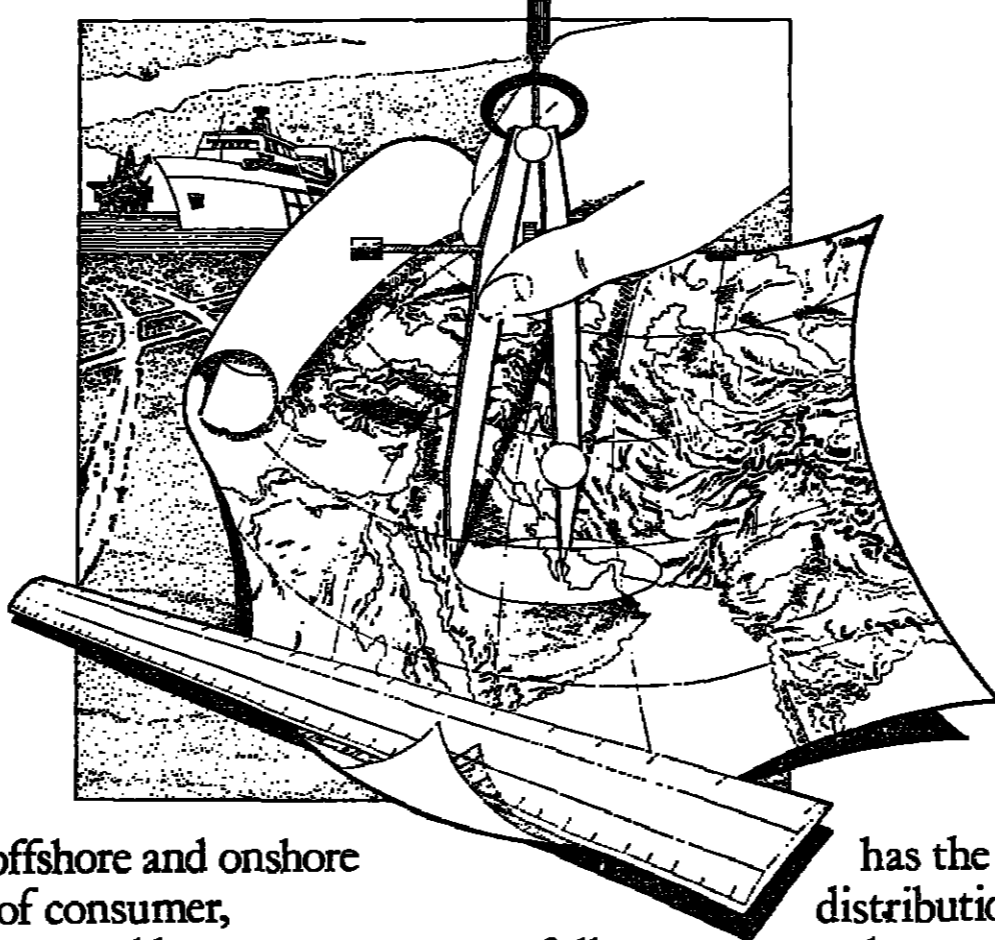
It came as something of a surprise therefore when Qatar announced that it was planning to go ahead with a \$6bn project which would not only produce gas for Qatar but also LNG and other products for export.

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CONTINUED ON NEXT PAGE

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QATAR 2

Systems go on gas

CONTINUED FROM PREVIOUS PAGE

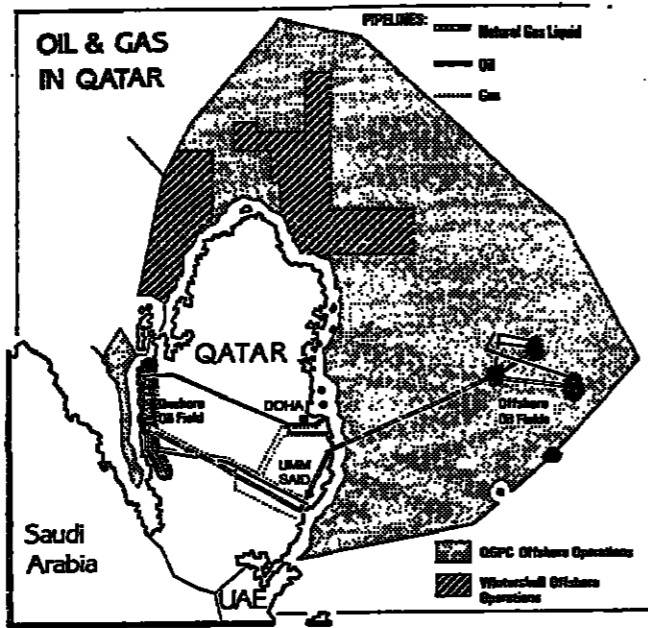
Instead, Qatar appears to have gone straight to the heart of the field in that it has initiated an agreement with BP and Compagnie Française des Pétroles (CFP Total) to extract 6m tonnes of gas over a seven-year period.

This amounts to 2,000 cu ft of gas a day. Of this 760m would be used for domestic purposes and for Qatar industries, which beside the steel works, fertiliser plant and petrochemical plant also include two NGL plants which provide the feedstock for the petrochemical plant and a cement concern.

The remainder would be for processing into LNG. Additionally, there would be 4,500 tonnes a day of natural gas liquids, 64,000 b/d of naphtha and 400 tonnes a day of sulphur. The seven-year project would be in two phases. First there would be a project to extract the gas and pump it to the mainland. This would cost around \$1bn to \$2bn. The project would be entirely Qatar-owned although there would be service contracts. The Qataris say they would raise the money through loans abroad and by possibly using some of their reserves.

The second phase, costing around \$2bn to \$3bn, would involve the LNG plant. Here the Qataris envisage a concern of which they would own 70 per cent. BP and CFP would take 7 1/2 per cent each. There would remain two shareholdings, one of which the Qataris presumably hope would be taken up by a Japanese concern, thus facilitating sales of LNG.

The whole project seems bold because the times are hardly propitious. The Iran-Iraq war has taken a turn for the worse with shipping being attacked by



both belligerents. This in itself could persuade customers in the Far East to look nearer home for their LNG and they are at the moment in a buyer's market. At present Japanese ships are refusing to go to Kuwait and Saudi installations in the upper Gulf.

Qatar may well have missed the boat as far as Europe is concerned since many countries seem committed to Soviet gas. However, the involvement of BP may mean that Britain at least does not want to be too dependent on Soviet gas.

The North Field has reserves for 100 years, so it will still be producing when Britain's own reserves are due to run out. There may be some advantage in BP getting in on the ground floor.

Qatar at first wanted to own 80 per cent of the company and have BP and CFP with 10 per cent each. The current plan to have two more shareholdings can only mean that Qatar wants to sell the LNG to Japan and/or Korea.

The ruler, Shaikh Khalifa bin Hamad al Thani, went on a tour of Japan and Korea last month, but he seems to have drawn a blank as far as selling

LNG is concerned. Nevertheless Mr Ali Jaidah, the managing director of the Qatar General Petroleum Corporation, insists that Qatar intends to go ahead with the project in the hope that a buyer will come along.

Leaving open two shareholdings could solve the presumably sticky situation with Wintershall which does have a concession. It also, it seems, has a complex agreement that it shall pay for the cost of exploitation and then benefit from a 20/80 production agreement, with the Government getting the 80 per cent.

It is known that Wintershall has been looking to amend its agreement. Both the QGPC and the company are reluctant to say anything at present, although QGPC does admit it is in discussion with Wintershall about LNG. Were Wintershall to take up a shareholding, West Germany, another customer for Soviet gas, would come into the reckoning.

To start a project of this kind without a firm buyer is thought to be a bold step in industry circles. For Qatar it is certainly an important step, as important as the development of oil back in 1949.

Heavy reliance on state spending

Economy

THE INHERENT weakness of Qatar's economy, which is motivated almost exclusively by government spending, is that the Government has no control over its major source of revenue.

Oil represents 85-90 per cent of budget income and until last year (when the oil contribution dropped to under 46 per cent) more than half the gross domestic product (GDP). Despite the move towards industrial diversification over the last decade, manufacturing industry — including flour milling, gas liquefaction, oil refining and the production of fertilisers, petrochemicals and steel — amounts to little more than 5 per cent of GDP.

Particularly since 1982, budgeting has therefore had to be based on expectations of how the international oil market will perform in the coming year, and medium-term planning has become a guessing game. What is loosely called a five-year development plan is simply a definition of priorities for capital spending, if and when the money is available.

In practice, the allocations are hardly ever fully spent, because of the time-lag in getting a project to the implementation stage once it has appeared in the budget. The psychological effect of a temporary reduction in oil liftings can also delay disbursements, and there are fears of another retrenchment in the face of the Gulf shipping crisis.

At such times the Amir has a habit of "losing his cheque

book" if too many payments fall due. The concentration of projects last summer certainly caused severe cash-flow problems, although Mr Fisham Khaddoumi, the adviser to the Amir's Technical Office, hotly denies the story that cash was diverted from other projects when local contractors — including the Corchete (in time for the Gulf Co-operation Council summit in Doha last November) threatened to stop work unless they were paid. Foreign contractors were reported to have settled for oil barter deals of at least \$90m.

Commitment

Payments have been flowing regularly since the last quarter of 1983, even during the Amir's absence in the Far East. But in the knowledge that last year's budgeted deficit of QR 3,360m (\$1,465m) turned into a surplus because revenue was higher than estimated and less money was spent, contractors and businessmen are adopting a "wait and see" attitude towards this year's forecast 37 per cent increase in capital spending. On paper at least, this will boost the total outlay for the current financial year by 18 per cent to QR 16,93m (\$4,6bn).

There is, nevertheless, much more optimism in the air than there was last year, provided only that the threat to shipping recedes. Ramadan and the hot couple of months to follow will be quiet, but the economy is expected to expand in the last quarter of the year. According to Mr Khaddoumi, there is now a definite government commitment to provide more liquidity and to activate the market.

Already there is a steady flow of smaller contracts for schools, housing and roads, and office blocks such as the QR 30m-(\$8m) headquarters for Qatar National Cement Company and another, at half the cost, for Qatar General Insurance and Reinsurance Company.

The imposing new Amiri Palace will be completed over the next 18 months, and this year's budget releases the last QR 100m of the QR 900m (\$250m) allocated to Phase I of the University project, covering the men's and women's colleges, academic areas, libraries and audio-visual centre. Another QR 200m will be needed next year for the sports and leisure facilities in Phase II, but the third and final phase (residential accommodation) is somewhere in the future.

Other ongoing work includes completion of the post office, the women's hospital, and the Ministry of Finance and Petroleum HQ, while a start will be made this year on the southern extension to the Corniche, the Ministry of Education building and an underpass at the Manna roundabout (which was already tendered when it was cut from the budget in January 1983).

The planned \$575m Al-Wusail power and water project is still frozen, but there are hopes of a go-ahead on a QR 2bn airbase in the central desert, which would keep a lot of local contractors busy pouring concrete for a very long time. Meanwhile private sector landowners are taking advantage of a 30 per cent drop in construction costs over the past 18 months, as recession-hit contractors tried to stay alive, and are putting up Arab-style family houses at bargain prices.

Downward trend

A few contractors have quietly stopped trading while others have cut back at least 50 per cent of their labour. The overall turn-out of expatriates is hard to quantify; some estimates say 50,000-60,000 Asians have gone home, although some Filipinos and Thais have come in. The Government is releasing 3,000 foreign staff, most of whom have their families in Qatar, but the exodus there will not be noticeable until the schools close in mid-June.

The scale of the recession is illustrated by the balance of payments estimates, which show a rapid deterioration in the

BALANCE OF PAYMENTS ESTIMATES

	1981	1982	1983
(In QRm (QR 3.64=\$1))			
1 TRADE BALANCE	15,745	9,295	6,788
Exports (fob)	21,272	16,495	12,902
Oil exports	20,066	15,339	10,832
—Crude oil	19,283	14,566	10,238
—Refined products	530	473	655
—Liquefied gas	1,266	1,068	1,169
Non-oil exports	1,206	1,156	1,070
Imports (cif)	-5,524	-7,100	-5,299
2 SERVICES AND PRIVATE TRANSFERS	-7,069	-5,214	-5,212
3 CURRENT ACCOUNT	8,679	4,981	1,491
4 CAPITAL TRANSFERS (private and official)	-5,292	-6,866	-3,669
5 BALANCE OF PAYMENTS surplus (deficit)	3,287	(2,775)	(2,169)
= increase (decrease) in reserves			

Source: Qatar Monetary Agency

BUDGET ESTIMATES

	1983-84	1984-85
Projected revenues	QR5,911m (\$1,600m)	QR11,570.9m (\$3,179.6m)
Projected expenditure	QR14,561m (\$3,990m)	QR16,551.2m (\$4,544.1m)
Budgeted deficit	QR8,350m (\$2,285m)	QR4,980m (\$1,364.4m)

trade balance and current account over the past two years, resulting in a drain on the foreign reserves of nearly QR 5bn (\$1.4bn). According to IMF figures, reserves at the end of 1983 amounted to no more than \$2bn, or 26 months of imports at the 1983 level.

Although the value of imports rose by over 25 per cent in 1982, due to a big increase in purchases of machinery and transport equipment, there was an almost equivalent reduction in 1983, and the downward trend has continued into the first quarter of this year. Comparative statistics for the first three months of 1983 and 1984 published by Qatar Navigation show that the number of vessels calling at Qatar ports fell from 187 to 128, while the volume of cargo discharged fell from 588,600 mt to 333,506 mt (-41 per cent).

The reduction in car imports was particularly striking, from 7,063 to 2,480. Japanese cars were a major factor in an 80 per cent decrease in tonnage from the Far East, while tonnage from Europe was down 50 per cent. Increases were recorded from the Americas (mainly from car pellets), Australia (barley) and Africa (wheat bran), but a list of other commodity imports shows construction materials down 61 per

cent, manufactured goods down 57 per cent and plant and machinery down 81 per cent. Japan was still well out in front last year as the leading exporter (QR 1,186.6m), but Britain (QR 885m) outperformed the average with a sales drop-off of only 13 per cent. Third was the U.S. (QR 482m), followed by West Germany (QR 435m), Italy (QR 266m) and France (QR 261m).

The decrease in trade and in the size of the workforce has had repercussions both on the housing market and on the hotels. Rents have fallen by at least 25 per cent, and the Government has cut the cost of its hirings by up to 40 per cent. Last summer one landlord accepted a monthly rental of QR 8,000 for a house which he had previously let at QR 18,000, while in two identical villas the tenant is paying QR 14,000 and the other QR 5,000.

None of the first-rank hotels is more than half full. When housing was expensive and in short supply, whole families were accommodated in hotels, but there are now fewer long-stay residents than in 1982 and those who remain are single executives.

Mary Frings

MANUFACTURING CONTRACTING IN TRADING SERVICES



SINCE 1911 SETTING THE STANDARD OTHERS ARE JUDGED BY



KASSEM DARWISH FAKHROO & SONS كاسم درويش فخر و اولاده

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# New moves to take petrochemicals into profit

## Industry

**A RETURN** to peak oil production of 5m b/c—or the development of non-associated gas resources from the North field—would give Qatar Petrochemical Company (Qapco) the extra gas feedstock it needs to operate at economic levels.

But after three years of losses, Qapco is not prepared to wait. CDF Chimie, the manager and minority partner, will start work next month on a \$55m ethane recovery plant for completion by the end of next year. A \$100m syndicated loan arranged by Lloyds Bank International will help tide the company over until then, by providing cashflow and refinancing maturing loans, as well as covering some of the construction costs. Another \$16.5m will come from the shareholders and the rest from a \$33m export credit facility backed by Coface, the French export credit agency, and arranged by the Arab and Indo-Suez banks. Qatar General Petroleum Company (QGPC) holds 84 per cent of the shares.

Qapco's ethylene plant was designed to use the ethane-rich (C2) fraction of associated gas from the offshore oilfields, but the lighter methane-rich fraction (C1) also contains 11 to 12 per cent ethane which is of no specific value to the fertiliser plant or to fuel-gas consumers. By processing C1, the new unit will contribute up to 500 tonnes a day of ethylene feedstock to the full daily requirement of 1,100 tonnes.

In 1982, the third year of production, ethylene output was 164,000 tonnes (58 per cent of capacity). Nearly all of it was consumed by the low density polyethylene (LDPE) unit, so until there is a surplus of base-product the question of diversifying into high density polyethylene (HDPE) is academic.

LDPE is marketed by SDF Chimie under a 10-year agreement. Last year 55 per cent was sold in the Middle East region, mainly to Saudi Arabia but also to Jordan, the United Arab Emirates, Kuwait and Pakistan. Sales to Iran have dropped. The rest went to the Far East and South-East Asia, while local demand, for making plastic bags, is less than 1 per cent.

Volume is clearly the key to profitability, since despite low world prices Qapco was briefly in the black in November and December when feedstock availability climbed to 85 per cent. Losses for the year as a whole are expected to be smaller than the QR 150m (41m) reported in 1982.

The Qatar Fertiliser Company plant has not suffered from gas shortages over the past two years because it is flexible. Although basically designed to use C1 from the onshore Dukhan field, the ammonia units were able to run successfully on up to 50 per cent non-associated Khuff gas after the 1981 drop in oil production.

With the improvement of deliveries of associated gas from offshore, and the commissioning last year of a QR 15m desulphuriser, the plant now has a third source of supply. Record output - Qapco has Norsk Hydro of Norway as manager and 25 per cent shareholder, with QGPC owning the remaining 75 per cent. In 10 years it exported over 5m tonnes of anhydrous ammonia and 4m tonnes of urea to 40 countries.

Production of ammonia last year was a record 585,000 tonnes—99 per cent of design capacity, rising to 108 per cent in January to April this year. The urea plants ran at 104 per cent capacity (685,000 tonnes), rising to 110 per cent this year. The main customer for ammonia was India (58 per cent); for urea it was China (33 per cent), followed by the Philippines and Indonesia.

Although operating profits have been declining steadily along with world prices, from QR 237m in 1980 to QR 131m in 1982, Qapco distributed a QR 20m dividend to its shareholders last year out of a net return of QR 60m.

The other major industrial joint-venture at Um Said is Qatar Steel Company (Qasco), in which the foreign partners are Kobe Steel of Japan (20 per cent), which also manages the plant, and Tokyo Boeki (10 per cent), the sole marketing agent. It went into production in 1978 as the first integrated steel mill in the Gulf, and in April this year output of plain and deformed reinforcing bars exceeded 2.5m tonnes.

Qasco has always obtained its full requirement of fuel gas, and rolling mill production last year ran at 135 per cent of rated capacity (477,000 tonnes). This compares with 435,000 tonnes in 1982 and 472,000 tonnes in 1981.

Prices are lower than at any time in Qasco's history, although the management estimates that it would only take a 7 to 8 per cent increase to give the company a reasonable profit. Qasco's selling price is 10 to 15 per cent above the international market, justified on the basis of savings on shipping costs and quick delivery of steel which has not deteriorated through long storage.

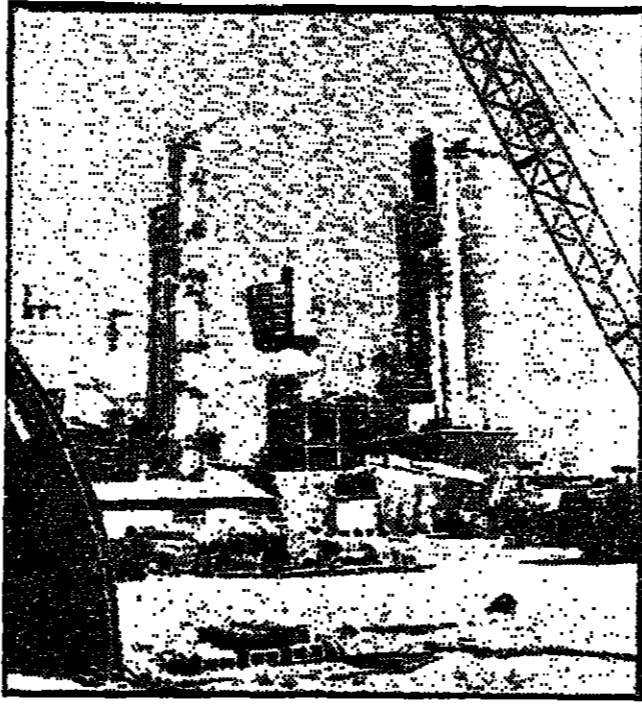
Local demand in 1983 was 13 per cent of the total. Within its product range, Qasco supplies all steel bars for government construction projects and is protected against foreign dumping by a 20 per cent tariff barrier. Major export customers are Saudi Arabia (44 per cent), Iraq (10 per cent through suppliers in Kuwait), and the United Arab Emirates. The wholly Qatari-owned projects have also had their ups and downs. The first NGL plant was based on Dukhan gas and was commissioned in 1975, but a fire in 1977 destroyed most of the fractionation and storage facilities. The reconstructed plant went on stream in 1980, almost at the same time as NGL 11, which was built to process gas recovered from the offshore oilfields.

Last year problems with the offshore pipelines were largely overcome and gas throughput was substantially higher than in 1982 despite an overall 10 per cent drop in oil production. Output in propane (C3) was 305,474 tonnes (company with 236,078 tonnes), butane (C4) 215,932 tonnes (163,932 tonnes and condensate (C5+) 153,626 tonnes (137,750).

QGPC was able to meet 95 per cent of its long-term sales contracts for 400,000 tonnes of LPG to Japan and 150,000 tonnes to the state-owned Butano company of Spain, and this year it expects to have some surplus for spot sales. Condensate gas mainly to Japan but 30,000 tonnes was sold to the U.S. in 1983.

Although the value of export sales rose to \$180m in 1983, against \$130m in 1982, the NGL project has yet to pay for itself.

Qatar National Cement Company, owned 43 per cent by the Government and 57 per cent by



The Qatar Fertiliser Company plant at Umm Said

## INDUSTRIAL PRODUCTION INDEX

(1981=100)	1982	1983
1 CRUDE OIL PRODUCTION	80.96	72.59
2 MANUFACTURING INDUSTRIES	106.17	132.69
Food grain milling	115.59	113.33
Fertilisers	112.33	124.28
Petrochemicals	105.76	129.26
Oil refining	95.39	107.73
NGL	103.66	135.56
Cement and lime	89.50	65.53
Basic iron and steel	106.59	105.61
3 ELECTRICITY AND WATER	106.44	115.35
4 TOTAL INDEX (1+2+3)	84.21	80.13

Source: Qatar Monetary Agency.

private investors, had to cut its prices by 22 per cent last year to avoid being undercut by exporters from the United Arab Emirates and the Far East. As a result profits dropped from \$12m to \$3.8m, although shareholders still received a 20 per cent cash dividend and a one-for-one bonus share issue. Accumulated profits retained by QNCC since its establishment in 1969 amount to \$47m.

The company quarries its own limestone, clay and gypsum from a large concession area at Um Barb on the south-west coast and nothing is imported. But due to technical problems and to modifications to the plant between 1981 and the first quarter of 1983, the three kilns have never operated to capacity, although they are expected to come close to it this year.

A service company which has diversified into manufacturing is Qatar National Navigation and Transport Company, which was the first public shareholding company to be set up in 1958. Its principal activities are shipping agency and cargo handling (for which it has a concession extending to 1998) and ship repairing, started in 1980.

To keep the fabrication yard busy at slack periods, Navigation manufactures overhead cranes under licence from Munk of Norway, and has built about 50, mainly for export to the Gulf region. The economic recession has dried up the demand this year, but Navigation has just put in some new quotations and is hoping for some orders.

Mary Frings

# Low regard for manual skills checks development

**MORE THAN 800** Qatari graduates from Qatar University and foreign seats of learning each year and must be found jobs either in national industries or in the civil service. The graduates are largely products of social sciences or arts courses, have absolutely no work experience or administrative skills, but demand for status reasons to be given senior posts.

When the first wave of graduates emerged from Qatar University in 1981, they were effectively the only graduates among the native population and were thus drafted into high positions in order to begin the process of Qatarisation—putting Qatari in charge of national decision making. The process is admirable in concept but a little more difficult when it comes to implementation, for now those first graduates, still in their late twenties or early thirties, are heads of departments in government ministries and have effectively reached the top of their "professions."

Newly emerging graduates have no prospects of displacing them and must each year be content with a position lower down the line. It is this numbers game which is more responsible for the recent moves to terminate the employment of large numbers of foreign civil servants, rather than the economic situation. Before the "tafiish"—as it is known in Arab circles—was begun many young Qatari were sitting at home drawing civil service salaries, but effectively unemployed because they had no office and no desk. Now desks have been made vacant in the short term but the long term problem has not been solved. Even worse the advent of large numbers of inexperienced administrators often in key posts has led to a creeping paralysis in several government departments simply because decisions are not taken at appropriate times and procedures are not followed through because of lack of experience.

To its great credit, the Government is fully aware of the problem and has not, as happened in the past in other Arab countries, simply turned a blind eye and watched chaos ensue.

"For too long," said Sheikh Mohamed bin Hamad al Thani, Education Minister and brother of the ruler, "industrial sciences and manual skills have been considered degrading, even though this view is at odds

with the teachings of Islam." The minister's words are easily backed by statistics. In the past 10 years the Government-run vocational training centre which offers courses in industrial skills up to City and Guilds standards has produced 1,350 qualifiers of which a handful have actually entered City and Guilds. The total intake in industrial vocational and professional institutes each year is around 500 students. This compares with an annual intake of around 850 men and women at the university.

In order to encourage young school leavers to learn industrial crafts and skills, students at the vocational training centre

from primary through to University level has developed by leaps and bounds in terms of numbers and this rather than quality has tended to be the yardstick of success.

But the foreigners responsible for the education system have preferred to impose mediocre standards in examinations leading to extraordinarily high pass levels at all grades from secondary certificate through the bachelor degrees. As a result Qatari youth are deceived by the system into thinking that they possess skills and qualifications to rival those of other internationally renowned institutions and suffer severe psychological blows when they discover that they have not attained anywhere near the same standards.

The fault lies not with the Qataris themselves, for the generation who make policy had no opportunity themselves to enjoy the benefits of the highest levels of education. There were no modern style schools of any kind in Qatar until 1953. The responsibility as in so many development situations lies with those who are employed to advise, and seek to please rather than by imposing rigorous standards which are essential for sound development.

In other Gulf states, especially Bahrain, Saudi Arabia and Oman there is considerably less resistance to the idea of performing manual tasks, and with the new rules of the Gulf Co-operation Council (GCC) allowing freedom of movement residence and work for GCC nationals, the Qataris may find themselves beaten to jobs in their own country by their Gulf neighbours.

Yussuf al Shirawi, Bahraini Minister of Industry and Development, once said that he had no fear for the future of Bahrain, since Bahrainis would wind the motors and polish the turbines of other states whose people did not accept such work even though it is essential.

In the end the success or failure of Qatar's development policy which made it the first Arab Gulf state to adopt industrialisation as its main target, will depend on how successful the Government is in persuading the young that they have to play their part in the industrial process, and that they cannot all be managers.

Ken Whittingham

## Labour

are paid a monthly salary of around QR 3,000 (£600 approx), equivalent to what they might be earning as unskilled employees of a government department. It should be noted here that contrary to popular belief, not all Qatari are wealthy and many young men find themselves with a relatively large family to support and few skills with which to earn money. Hence the pressure on most young Qatari to seek a rapid fortune through setting up a trading or contracting company which all too often ends in disaster simply because the market cannot support any more traders and contractors.

In the long term, the average young Qatari from a family with a poor or modest income would actually have better prospects by learning essential skills not necessarily of the production line type, but perhaps in areas like plumbing and electric or even electronics. Skilled journeymen command enormous salaries, but as the minister said such jobs are still considered degrading.

The contempt for manual jobs is a major obstacle to Qatar's dreams of becoming an industrialised nation, for under the present social prejudices the result can only be that the Qatari population will be bystanders for ever as other nationalities set, run, and ultimately profit from Qatar's industries.

Unfortunately the desire to prove that all aspects of Qatar's development are a brilliant success further compounds the problem. The education system

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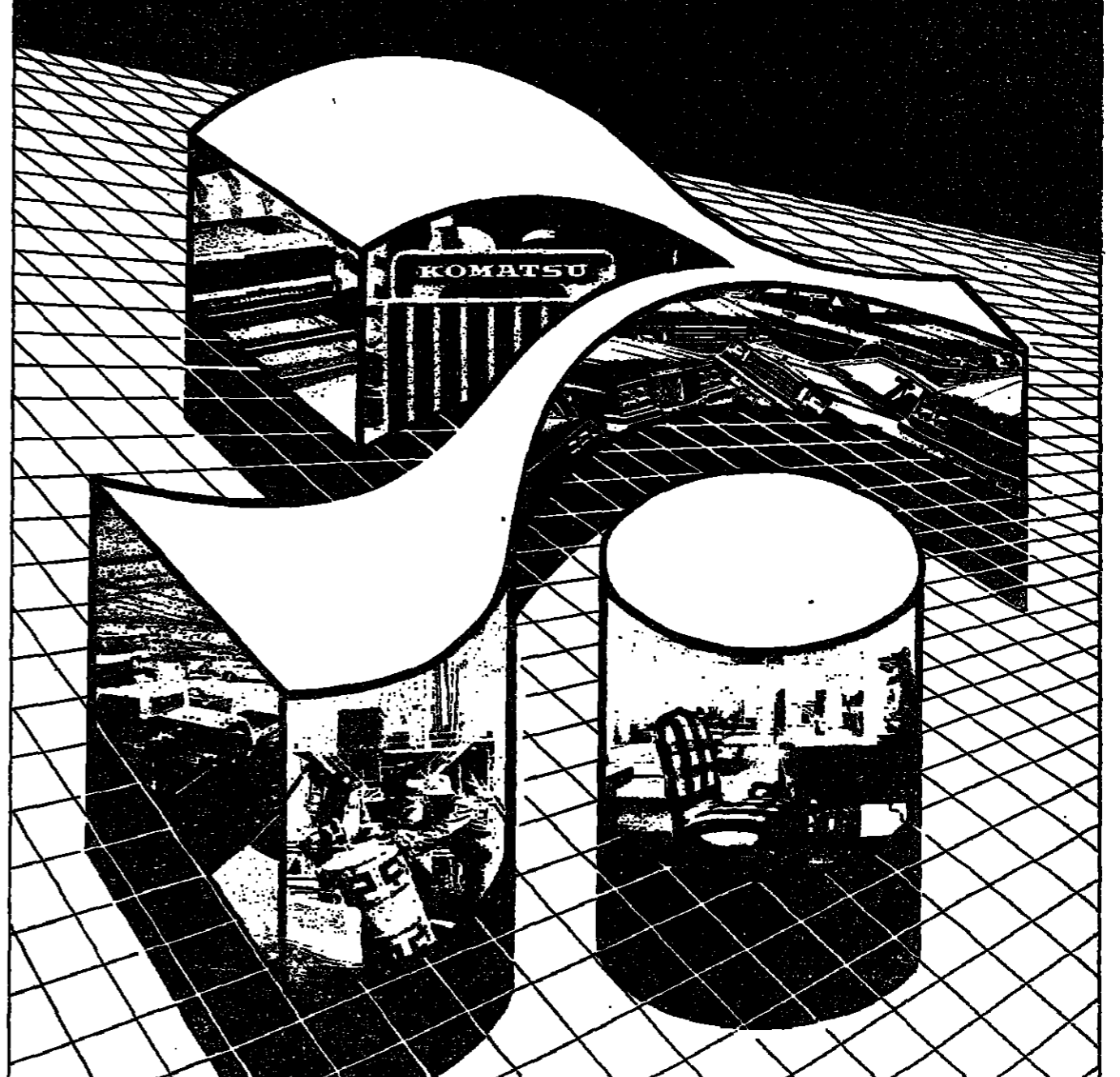


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QATAR 4

# Hopes for early improvement fade

## Banking

UNTIL THE Gulf shipping crisis erupted at the end of April, bankers in Doha were looking forward to an improvement on a dismal 1983. Now they fear a renewed impetus to cut government spending before the promised reduction has time to take effect. Qatar has no way of exporting its oil other than by sea, and even if tanker traffic continues

to flow normally an innately cautious government may be tempted to conserve its revenues "just in case." While there is general apprehension about the escalation of the Iran-Iraq war, at the time of writing there had been no wholesale flight of funds, although one or two investors had switched deposits to Jersey since the beginning of May, as a safer haven than the Gulf. Liquidity is currently very much easier than it was in September and October last year, when government dis-

bursments were months in arrears and banks were holding out life-lines to clients who would otherwise have gone out of business. In the absence of a central bank swap facility, one foreign bank was more than 100 per cent lent and was overvalued in dollars at the same—in the words of the manager "a very dangerous position to be in." Now its loans/deposits ratio has dropped to below 80 per cent and government payments have never been more up to date.

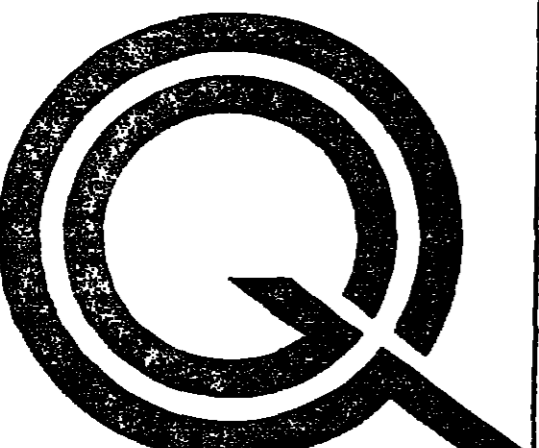
Qatar Monetary Agency (QMA) statistics for 1983 show the first contraction in domestic liquidity (M1) since 1980, albeit only 4.5 per cent. In 1981 there was a dramatic 50 per cent expansion, followed in 1982 by a more modest 10 per cent. The QMA's insistence on a 7 per cent local deposit rate ceiling has resulted in a substantial proportion of private funds being held in foreign currencies, primarily dollars. But last year private deposits remained static overall, and because of lower international interest rates foreign deposits actually dropped 4.5 per cent, in contrast with increases of 140 per cent, 116 per cent and 25 per cent over the previous three years.

Credit to the private sector rose 8.6 per cent and the banking system as a whole was 77 per cent lent (compared with 71 per cent in 1982). But 23 per cent of the lending was funded by foreign currency deposits, and with domestic lending rates pegged at 7 per cent this can hardly have been a profitable operation for the banks. On the other hand, at least one bank placed over 70 per cent of its total deposits with banks abroad, and only 50 per cent of these deposits were received in foreign currencies.

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Qatar Monetary Agency (QMA) statistics for 1983 show the first contraction in domestic liquidity (M1) since 1980, albeit only 4.5 per cent. In 1981 there was a dramatic 50 per cent expansion, followed in 1982 by a more modest 10 per cent. The QMA's insistence on a 7 per cent local deposit rate ceiling has resulted in a substantial proportion of private funds being held in foreign currencies, primarily dollars. But last year private deposits remained static overall, and because of lower international interest rates foreign deposits actually dropped 4.5 per cent, in contrast with increases of 140 per cent, 116 per cent and 25 per cent over the previous three years.

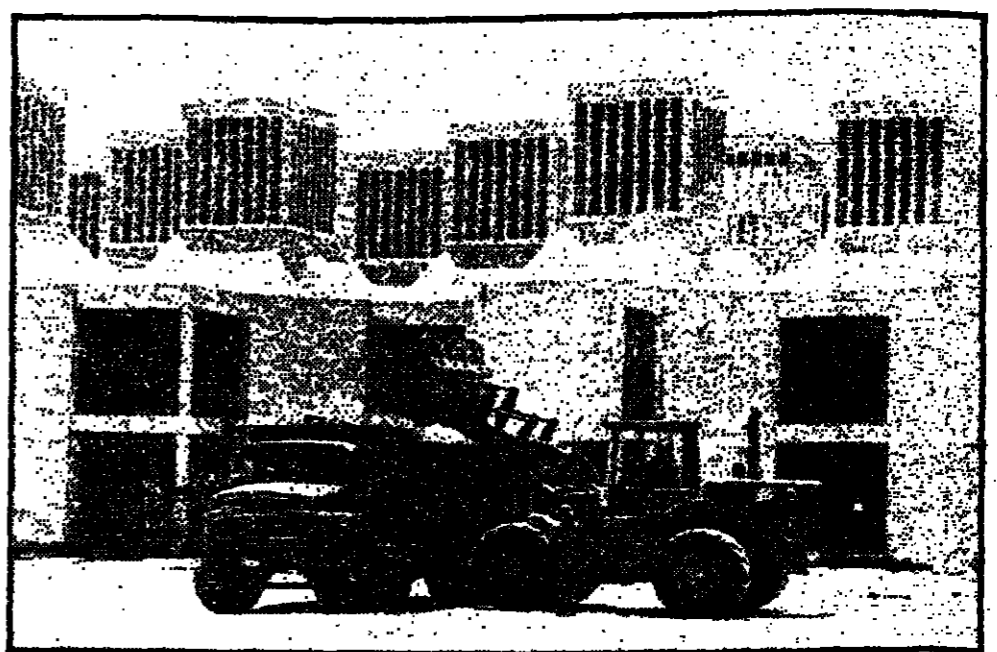
Credit to the private sector rose 8.6 per cent and the banking system as a whole was 77 per cent lent (compared with 71 per cent in 1982). But 23 per cent of the lending was funded by foreign currency deposits, and with domestic lending rates pegged at 7 per cent this can hardly have been a profitable operation for the banks. On the other hand, at least one bank placed over 70 per cent of its total deposits with banks abroad, and only 50 per cent of these deposits were received in foreign currencies.

The volume of foreign remittances has also been reduced, but banks have been affected that Qatar's 16 licensed

exchange houses. At the same time some of the more enterprising banks are overcoming the disadvantage of statutorily restricted opening hours by taking remittance instructions direct from major employers of expatriate labour. Before the introduction of licences in October 1982, some of the exchange houses were doing traditional banking business such as taking deposits and giving loans, and a few of them ran into trouble through speculating in gold. Now they may place orders for spot purchases of precious metals, but may not take a position. One foreign bank which believes it is well-placed to benefit from the North Field gas development, if and when it comes, is Banque Paribas. It is the only French bank in a country where a strong "French connection" has been forged by two-way trade, as well as by the participation of CdF Chimie in the petrochemicals industry and Compagnie Française de Pétroles in the North Field.

Profitable Qatar Islamic Bank opened in July 1983 but did not really start to move forward until January this year, with the appointment as first general manager of Mr Qasim M. Qasim, former First National Bank of Chicago. It is growing by 10-15 per cent a month and is said to be already profitable. QIB uses its funds mainly in trade financing, but it can invest any surplus in commodities such as base metals or permitted foodstuffs (but not in gold or silver, which is considered to be money). It can also place funds with other Islamic banks, on a profit-sharing basis, but hopes to diversify its outlets next year, since its charter permits the establishment of contracting, trading or real estate companies.

A fourth Qatari commercial bank was incorporated last year as a public shareholding company under the name of Al-Ahli Bank, and is due to open early next month. It has authorised capital of QR 60m (\$16.5m) of which half is paid up, and is computerising its operation from the outset using the KAPITI programme which provides statements and transaction notices in both Arabic and English. Al-Ahli Bank is headed by Mr Lesley Cant, who is well known in Qatar as a long-serving general manager of Grindlays' Doha branch; he concedes that this is not the most propitious time to be launching a new bank, but he will not be carrying large overheads and "the only way we can go is up."



Frenetic building activity during the past decade means Qatar has constructed virtually everything necessary for the basic needs of its people. Above: the University in Doha under construction.

# Opportunities opening up in service industries

THERE IS a myth in circulation that Qatar, and other Arab Gulf oil producing states, are passing through a period of severe recession. But how can it be a recession, said Tatal Abu Ghazala, a leading financial expert addressing businessmen in Qatar recently, when the rate of growth has simply declined from double to single figures, and is still better than the rate achieved by any other area of the world? Certainly Qatar has entered an era of projected, though not real, budget deficits, and certainly income from crude oil exports has fallen significantly in the short term as a result of market problems. The Government has also embarked on a drastic policy of rationalisation in administrative costs and state expenditure. The much covered rationalisation was instituted under the pretext of a lack of funds and perhaps a fear of current account deficits, but it cannot be attributed to recession. Similarly massive redundancies in the local construction sector in the wake of government restraint last year have now proved premature as work has begun on many new projects under the 1984-85 budget.

Industries to turn intermediate products, especially petrochemicals into finished goods so that imports may be reduced and to develop new sources of export revenue. The Government through its Industrial Development Technical Centre (IDTC) has already identified 40 industrial ventures it would like to see and will actively encourage, but Qatari businessmen, lacking experience in industry and perhaps not knowing where to look for technical help, have shown little enthusiasm as yet.

Industries on the wanted list include production of wet and dry batteries, bricks, tiles, melamine and plastic products, household utensils, biscuits, confectionery, electrical accessories and paper tissues. Under new laws only Gulf Co-operation Council (GCC) nationals may enter into partnership with Qataris to form companies, with certain exceptions where it is deemed in the national interest, and a whole range of new laws affecting company formation and foreign investment, as well as sponsorship of foreign residents are slowly making their way through the cabinet and advisory council to the statute books.

But there is a major transformation of the economy in progress, simply because the requirements of the new stage of Qatar's lone term development process differ from earlier phases. Much of the major construction work associated with infrastructure development is now completed. Such civil engineering projects as schools, industry complexes and clinics can be handled by local companies which have either through partnership with foreign contractors or through hiring top quality staff—pre-qualified for major contracts. Put in simple terms, Qatar with its population estimated at 250,000, has virtually built everything necessary for the basic needs of the people, and is thus no longer in a desperate rush to cover the desert in concrete.

On the other hand though, many of the buildings and systems set up 10 years ago or more are now in need of repair and little by little the people of Qatar are becoming aware of the importance of service and maintenance industries and this is undoubtedly a major growth area for business in Qatar over the next five years. Similarly with its primary industries in place and producing Qatar now badly needs to develop a string of light

central statistical organisation at the end of May. Total imports for 1983 at nearly QR 5.3bn (just over \$1bn) were down 25.2 per cent on the 1982 total of QR 7bn. Japan and Britain with 31.8 per cent and 18.6 per cent respectively continued to dominate the import market each maintaining its share of the market from the previous year and reflecting a 25 per cent cut in total value of exports. British exports to Qatar according to CSO figures were QR 1.1bn (\$231m) in 1982 and QR \$84m (\$177m) in 1983. The dominance of Qatar's two traditional trading partners of recent years becomes clear considering that the U.S. in third place provides only 8.1 per cent of the total import bill while France in third place in 1982 has dropped to sixth place with less than 5 per cent. Since transport equipment accounts for almost half the total imports and since Japan is Qatar's leading customer for oil, the Japanese position at the head of the importers' table is expected, but Britain's recovery to hold second place after falling down the league in the late 1970s shows that on the whole Qataris still prefer to buy British, a tendency reinforced by the presence of large numbers of British managers and technicians in local companies and Qataris' familiarity with the English language and ways of doing business.

## Business and trade

Very soon work will begin on the preparatory stages of the North Field gas project estimated to cost \$4.6bn over a seven year period and since British companies can look forward to a healthy share of orders if current patterns are repeated, and provided that exchange rates continue to favour sterling prices against the high dollar, the Qatar riyal being basically tied to the dollar.

The market is however for goods and services, and not as in the past for construction. Under existing pre-qualification systems, companies which do not already have a presence in the market will find entry difficult. But for anyone who takes the time and trouble to study the market properly and can provide what the customer wants exactly as a competitive price, and most importantly, with the right service back-up, Qatar, like its neighbours, will continue to provide a healthy market-place.

Ken Whittingham

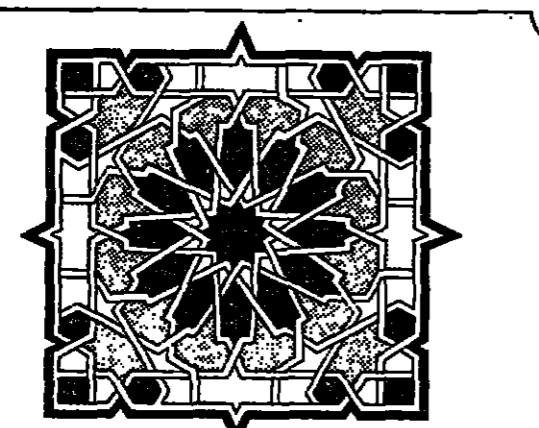
## HOW COMMERCIAL BANKS PERFORMED IN 1983

(In QRm. QR 3.64=\$1. 1982 results in parentheses)


Bank	Capital + reserves	Assets at end of year	Loans/advances	Customer deposits	Net profit after tax
<b>1. Locally-incorporated banks</b>					
Qatar National Bank	539* (474)	6,087 (5,673)	2,788 (2,563)	4,081 (4,041)	31.1† (78.5)
Doha Bank	143 (189)	1,109 (1,119)	347 (252)	877 (788)	41.9† (48.6)
Comel. Bank of Qatar	81 (77)	573 (582)	279 (234)	293 (383)	25.5† (25.5)
<b>2. Branches of foreign banks</b>					
BBME	10 (10)	746 (780)	360 (380)	682 (704)	7.4 (6.4)
Arab Bank	10 (10)	408 (420)	193 (193)	686 (686)	10.5 (10.5)
Grindlays	10 (10)	679 (644)	493 (483)	574 (570)	0.8 (1.4)
Paribas	14 (12)	597 (682)	543 (554)	562 (651)	2.8 (4.4)
Bank Almsheik	12 (10)	408 (458)	193 (190)	389 (389)	8.4 (8.4)
Bank of Oman	10 (10)	331 (446)	145 (95)	318 (438)	2.3 (3.3)
Chartered Bank	17 (16.5)	312 (339)	208 (208)	277 (282)	5.7 (5.7)
Citibank	8.4 (8.4)	381 (381)	93 (93)	289 (289)	5.4 (5.4)
United Bank	16 (13.7)	232 (228)	81 (75)	214 (206)	2.7 (3.0)
Bank Saderat Iran	na	na	na	na	na

\*QNB has additional inner reserves. †Local banks pay no tax. Compiled by Mary Frings.

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# All eyes on the soccer stars

## Sport

QATAR RESIDENTS whatever their nationality will join the nail-biting sessions in front of every TV set in the country at the end of July when Qatar's national football team seeks Olympic gold in Los Angeles. The endeavours of Qatar's sportsmen have won the hearts of even the most cynical expatriate as the footballers first reached the final of the world youth cup in Australia in 1981 defeating Brazil and England only to fall in the final to West Germany.

In March this year the lads who were not given a ghost of a chance by Gulf soccer pundits lost the Gulf cup to Iraq on penalties after one of the best matches ever seen in the region. And then they went on to Singapore to qualify undefeated in their Asia group for the final stage of the Los Angeles Olympics.

The record speaks for itself. No amount of money can buy that kind of success on the field. But somehow the Qatari boys, from a pool of fewer than 3,000 registered players in the whole country, and with only one international class pitch, and a

total of two grass pitches on which to develop their skills have won the kick-and-run style of schoolboy soccer to sophisticated fast-running world-class play.

Much of the success can be related to the hard work of coach Macedo Evaristo who has masterminded the development of the squad of national players over the past four years, but the attention given to sport by government and private sector alike has played a significant part.

At the end of May the first of six club sports complexes each costing around \$10m was handed over to Al Ahli club one of Qatar's 12 youth and sports clubs. Each stadium includes 25,000 seat stadium, running track, indoor sports hall and will later include a swimming pool. Training and physiotherapy facilities formerly only available at the national sports complex at the Khalifa stadium will now be on hand for the top clubs and eventually for all clubs.

While Qatar is soccer mad, the more individual sports have also brought unprecedented success to this tiny country.

Saeed al Hajiri, Gulf and Middle East rally champion, is the first Arab driver to win his way by merit and results

alone into a major works team to compete for the world rally championship.

Taher al Masri ran his first marathon in London in May and produced a very creditable time among the early finishers. He will be in Los Angeles looking for experience. In other sports chess players, ten pin bowlers and marksmen are gradually making their presence felt in Asian tournaments before facing world challenges.

**Welcome**

Success in sport is welcomed by any nation but for Qatar it has many important implications. Sport is seen as an effective way of building relations world-wide. Considering its size Qatar has done more than its share of hosting Arab and Gulf sports events and related conferences. And indeed it has produced a very creditable record in organising an Arab select XI to play a Gulf XI last year, including an Egyptian player in spite of the political boycott of Egypt by Arab countries.


Beyond the Arab world, sport has built bridges between Qatar and Latin America as well as providing strong links with old friends. Qatar recently signed a sports agreement with Britain to cover training of administrators and coaches for

the new club complexes.

Like many countries where the young form a majority of the population and the standard of living is relatively high, Qatar faces a problem with its youth. A low threshold of boredom, a lack of leisure activities and the tight religious and social restrictions (including almost total segregation of the sexes) have led many young Qataris to seek pleasure through fast cars or drugs, a problem which has been recognised and indeed talked about by senior police and health service officials.

Sport and cultural activities are all part of a crash programme created almost regardless of cost to persuade young people to develop their skills and talents and make positive use of their long hours of leisure.


Qatar will be proud of its footballers in Los Angeles whatever results they achieve, for they have already earned their laurels, but the long term battle for the hearts, minds and physical fitness of the young generation, which is after all the beneficiary of current billion dollar development programmes has only just begun.



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K. W.



# Following the Saudis' line

## Foreign policy

IN THE run up to the fourth Gulf Co-operation Council (GCC) summit last November, of which he was chairman and which was held in Doha, Emir Khalifa bin Hamad al Thani, the Qatar ruler, gave a rare interview to the local press—he usually leaves these things to his ministers. For the first time in a long while he gave a comprehensive exposition of Qatar's foreign policy.

The Emir listed three main principles that should govern efforts to maintain security and stability in the region. These were achievable, he said, only through collective action and better still through the CCASG (Co-operation Council of the Arab States of the Gulf).

The principles are: First, the security of the Gulf is integral. Second, the responsibility of maintaining the security and stability of the region is that of the Gulf peoples who reject any form of foreign intervention from international rivalries. Third, that there is a cohesive relationship between the maintaining of security and stability on the one hand and efforts which should be exerted towards achieving a level of progress and development which guarantees for the citizens of the entire region their right to justice and dignified living.

### Both Sunni

Ever since the oil concessions of 1935 forced Qatar and Saudi Arabia to sort out, willy nilly, their border claims (in fact they were not fully clarified until the Second World War was over) Qatar has closely followed the lead of the bigger and more powerful Saudi Arabia.

Qatar is close to Saudi Arabia physically, indeed it abuts on to it. Emir Khalifa has been temperamentally close to the Saudi rulers—both the Saudis and the Qatars are Sunni Moslems of the Wahhabi sect, one of the strictest and most puritanical of Islam.

But in reality it has had very little choice but to follow the Saudi line. Although it has a very high per capita income (one of the highest in the world), its small physical size, 11,437 sq kms and a popula-



The Mirage F1 fighter. Earlier this year Qatar took possession of the first eight of a consignment of 14.



tion of only 250,000 of which 70,000 are Qataris has left it with little independent leverage in external affairs. In some way Qatar has been more hawkish than Saudi Arabia on pan Arab matters. It has all along been insistent that the Palestinians should have their own independent state, and stridently has said that the PLO should be recognised as the legitimate leadership of the Palestinians. Always though its stands have been within the parameters of Saudi policy.

Like Saudi Arabia Qatar has been a large donor to Arab countries and causes in general and Iraq in particular.

When, in 1968, the then British Labour government declared its intention of withdrawing its defence commitments east of Suez by 1971, Qatar was as keen as any of the nine Gulf emirates to form some kind of federation. But the task of sorting out decades of deterioration, disputes, foreign domination and possible loss of hard won self determination, proved too much and Bahrain and Qatar dropped out of the discussions. The seven other states formed the UAE (Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Ajman, Umm al Qaiwain and Fujairah).

The catalytic effect which the Iraq-Iran war has had on the Gulf states has meant a rash of proposals for closer co-operation since the GCC was formed in May 1981. The countries (Saudi Arabia, Oman, Qatar, Kuwait, Bahrain and the UAE)

meeting and planning all the time."

The recent escalation in the Gulf war to include attacks on shipping has instilled an even greater sense of urgency. Qatar was gratified that Saudi Arabia acted promptly in warning Iran about hitting third country vessels, and that Saudi Arabia has drawn up a shipping line within Gulf states territorial waters. It was pleased that the U.S. has given Saudi Arabia Stinger missiles, but even more relieved that neither Saudi Arabia nor any other Gulf states reacted to President Reagan's suggestion that the U.S. would only intervene if directly asked by a Gulf state.

Qatar like other Gulf states harbours very real fears that any kind of vacuum would invite the Russians to interfere. They are equally nervous about further U.S. involvement. They remember the hostage crisis during the Carter administration.

Qatar's position is that it is concerned, but that since it is powerless to do anything it has not allowed itself to become overconcerned. It realises that it is defenceless. Its oil storage depot Halul island is undefended for example. But it feels that it is not in the eye of the storm like Kuwait, say, and also feels confident that Saudi Arabia, Oman and Kuwait between them form a sufficient deterrent to Iran.

On the question of the other threat—that Iran will somehow ignite the Shia populations of the Gulf states to rise up, Qatar has few fears. Its Shia population was never that great, possibly 25,000. This has now dropped as Iranians have gone home.

It may not be overly concerned but Qatar is still building up its defence. Earlier this year the country took possession of eight Mirage F1 fighters, the first of a consignment of 14. It has around six Alpha training jets and also has bought three Commandants fast patrol vessels from the French, all equipped with Exocet missiles. Qatar only has one airport at the moment for both civilian and military use, but it is in the process of building a military base at a cost of \$550m.

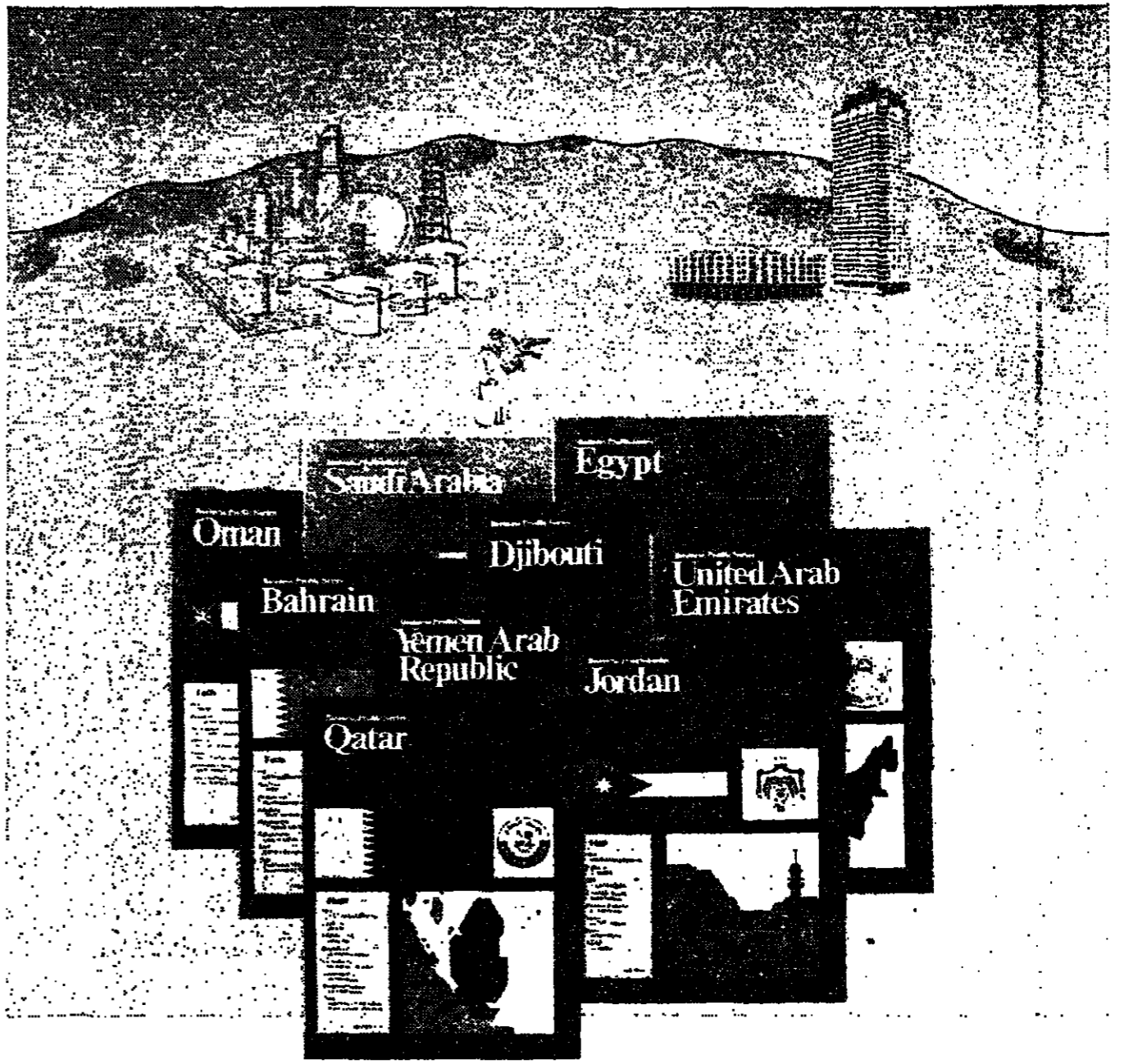
The army, currently around 6,000 men, is also being beefed up, although there are some problems here in the shortage of Qataris. There are thought to be some 15 different nationalities in the Qatar army.

Stewart Dalby

### Moving fast

Last November the GCC held its first joint defence exercises in the UAE. Since then there have been little publicised air force manoeuvres. It would be premature to say that the GCC can act as a coordinated force. For one thing the various countries have different systems. Oman has almost exclusively British equipment, while Saudi Arabia has U.S. hardware. Qatar is equipping itself with French aircraft and materiel.

But the Gulf states are beginning to move fast. As one western military observer put it, "you have to remember that a year ago they did not even have a secure communication system with which to talk to one another. Now they are



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## Agriculture

QATAR LIKE some other Gulf states has long been worried by its dependence on imported food. This concern has been especially highlighted in the past four years because of the Iran-Iraq war. The Gulf peninsula is particularly vulnerable in that, if the Straits of Hormuz were closed then most food imports would have to come by land over tortuous routes through Saudi Arabia and shortages could easily occur.

On the face of it, Qatar has been moving in the direction of lessening food imports moderately successfully. According to Mr Ahmed Abdel Wahman Al Mana, the Under Secretary of Agriculture, Qatar in 1982 was 68 per cent self sufficient in summer vegetables and 42 per cent self sufficient in winter vegetables for its population of 250,000.

In 1969 (admittedly when the population was only 25,000) hardly any vegetables were grown. There was a little date growing and some scrub for pastoral Bedou, grazing camels and goats wherever they could find pasture in the largely arid peninsula.

A report drawn up last year for the Economist Intelligence Unit, by Mr Howard Bowen and Mr Roderick Hurton, drew heavily on the findings of a ten year survey and assistance programme by the UN Development Programme and Agricultural Organisation, which cost some \$2.7m.

The EIU survey found that "While the territory of Qatar is relatively small and homogeneous compared with that of Oman, Saudi Arabia, the United Arab Emirates and the Yemens... it remains unfortunately true that Qatar is the only country in the Arabian peninsula in which it is possible to find a firm and coherent data base on which to build an agricultural policy."

A firm data base, however, should not disguise the fact that, apart from vegetables, Qatar is heavily deficient in most other agricultural products. The Qatar 1982 Agricultural Yearbook shows that in cereals overall there was self-sufficiency of 9.94 per cent. Barley which is little consumed by humans compared with wheat accounted for a 73 per cent self-sufficiency level within the cereals category.

In poultry there was just 10 per cent self-sufficiency, all beef was imported, in sheepmeat the country was 6 per cent self-sufficient and even with dates the national crop there was only 70 per cent self-sufficiency.

In terms of tonnage wheat accounted for 29,097 in 1982, the last year for which figures are available, barley 14,330, rice 12,563, while all vegetables consumed amounted to 29,300. It may sound contradictory to say



The new sheep market in Doha. Qatar is only 6 per cent self-sufficient in sheepmeat.

## War heightens concern over food imports

Qatar is 68 per cent self-sufficient in vegetables then add that it also exports vegetables to its neighbours. But imports are sometimes as long as six months in advance, so there is overlapping.

The figures for vegetables can give a slightly misleading picture about overall food self-sufficiency, since vegetables do not constitute a major part of the diet. The EIU report reckons that cereals provide over 50 per cent of the calories in the average diet. The shortage of homegrown cereals taken together with the lack of locally bred livestock probably means the overall level of food self-sufficiency is low, probably no more than 20 per cent.

### High cost

Furthermore, although progress in vegetable production may seem impressive, it has been achieved at a high cost in wastage of the country's main agricultural resource, water.

The south west half of the country has virtually no natural water at all. The north east half has a large underground aquifer.

The Ministry of Agriculture estimates that in 1982, total water usage was 115m cubic metres of which possibly 75m was natural water used for agriculture. The country has only recently started using treated sewerage effluent (TSE) for agriculture on any scale, and desalinated water is used mostly for commercial and domestic purposes. At the 75m cubic metre usage, the aquifers are being used at twice the safety level if salinisation is to be avoided.

Part of the problem is that while the Government has encouraged vegetable cultivation there has been no overall plan and it has tended to grow in haphazard fashion. Many of the farms are small, and vegetable cultivation often takes the form of attempts to prettify gardens of country estates. Of the 500 or so working farms over one quarter are less than three hectares in size, 20 per cent between three and five hectares and a further quarter between five and 10 hectares. Often water has been used in indiscriminate fashion with sprinklers going 24 hours a day. Drip irrigation which is more conservationist is rarely used.

Qatar does intend to concentrate further on vegetable production and attain self-sufficiency. Almost everyone agrees that it would not be economic to try and grow cereals on any scale, or develop large livestock herds. Apart from unsuitable soil, there is not enough water, and the cost of desalinated water on the scale envisaged would be prohibitive. There are also the high cost of imported inputs to be considered.

This is not to say that no cereals are grown. The Government itself runs a 40 hectare farm for barley. There are some 220 hectares under barley and wheat.

There are some small attempts at developing livestock. The Government runs an experimental sheep farm. There is a farm for a dairy herd of 1,000 Friesians for milk purposes. There is also a poultry project and the ministry estimates that within two years

the number of poultry and eggs will have increased threefold to give a 30 per cent self-sufficiency.

At the moment only some 3,000 hectares out of a possible cultivatable area of 30,000 hectares are being used, or 1 per cent of the total land area of Qatar. There is scope for further development of vegetables.

To this end two experimental projects are in operation. At the Government run farm at Al Otariyah trials for cooled greenhouses to grow cucumbers have been taking place. A Dutch company, EVA, is to take the project further with a QF 30m turkey contract to install three hectares of greenhouses and the equipment to cool them by water evaporation in the day time and air conditioners at night.

In another experiment to be carried out with Japanese help Qatar hopes to turn the sun into an asset rather than an agricultural liability. The Industrial Development Technical Centre (IDTC) is overseeing a project to use solar heat. The idea is to vaporise sea water in ditches and allow the vapour to permeate a cooler bed of sand above. The system is to be used for two years to grow vegetables including green peppers and tomatoes and the IDTC will then decide whether to adopt the plan on a large scale.

The beauty of the Japanese plan is that water is conserved. It is widely recognised that if self-sufficiency in vegetables is to be attained it is vital that a more rational use of water is applied.

### Safe level

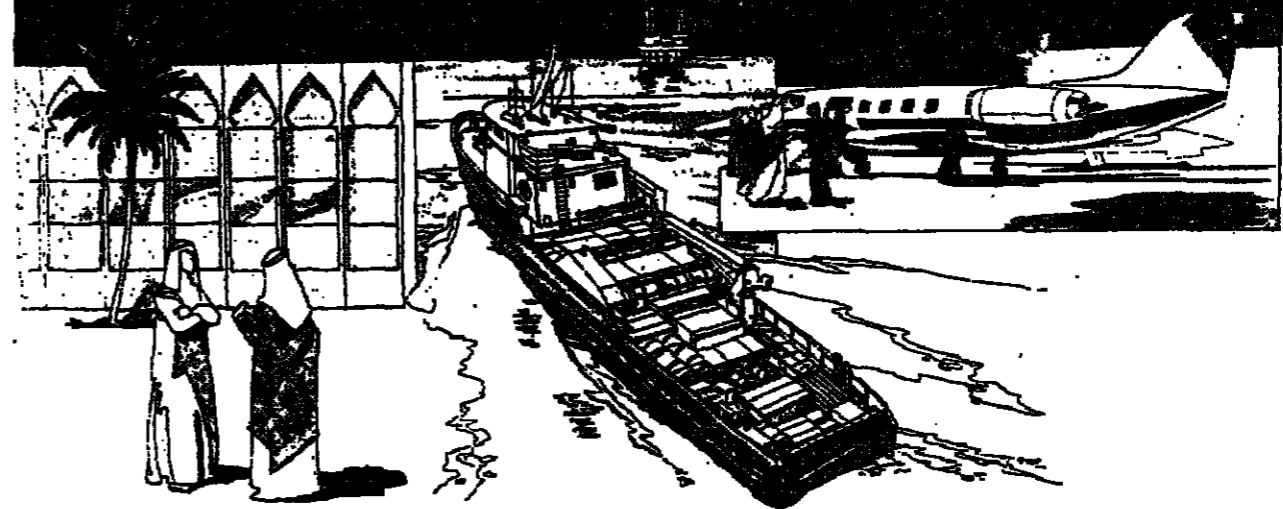
The EIU study estimates that allowing for population growth and so on agriculture, providing water is used on a more conservative basis, would need around 80m cubic metres a year. The report says 20 per cent of this should come from re-treated sewerage and the rest divided half and half between desalinated water and natural water. This would get the use of natural water down below the safety level of 30m cubic metres.

Qatar has been using TSE since 1974 and various studies suggest that by the turn of the next century some 22m to 37m cubic metres could be available from this source.

As for desalinated water there could be a problem in the short term in that the Government is committed to supplying all domestic and commercial needs in the capital area where well over half the population lives. At the moment this amounts to 50m cubic metres a year from two power stations and desalinators. The country will need a third power plant at Wusail. This is due to be built at a cost of \$1bn, but like other capital projects nothing appears to be happening because of the freeze on spending.

S. D.

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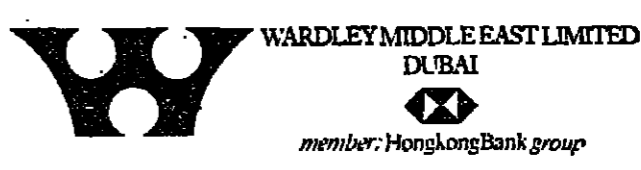


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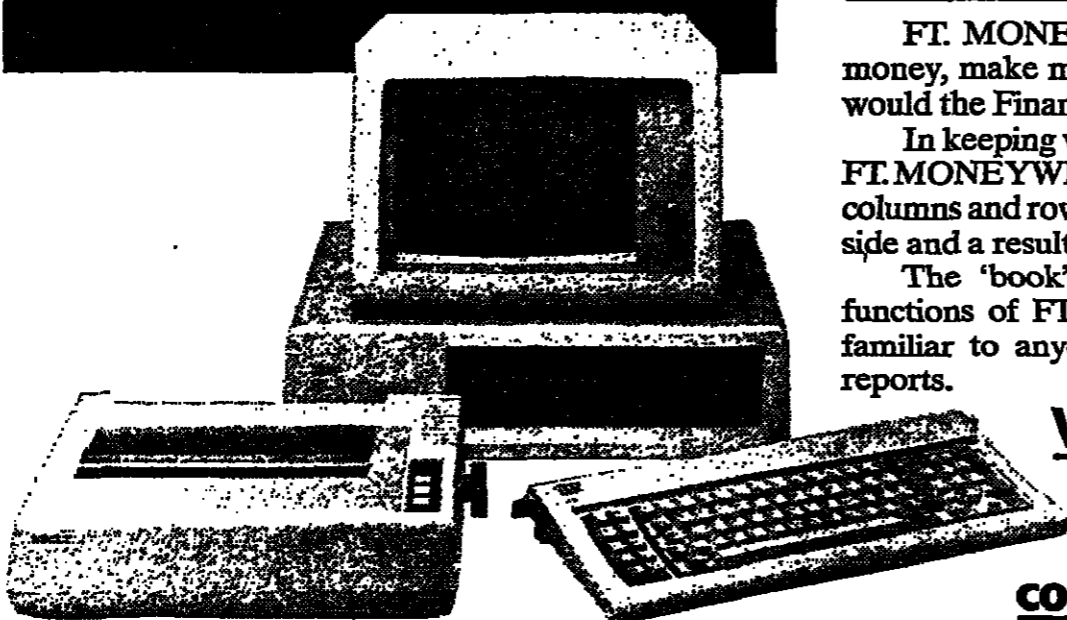
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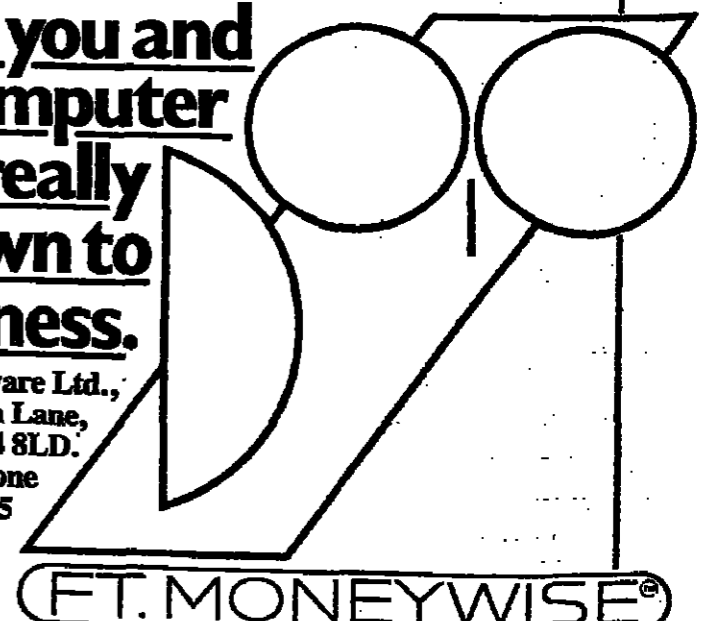
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# Vans and Light Trucks

Japanese producers have set the pace worldwide—in Europe taking any growth in sales from local makers. Competition in the European market is intensifying with increasing efforts put into offering the most refined vehicles in all classes

**HOW FAR** will the Japanese feel it is prudent to go with their penetration of the West German light commercial vehicle market? That is a question currently preoccupying the European producers of vans and light trucks.

The Japanese have set the pace worldwide in this part of the commercial vehicle business. They have employed a technique similar to the one which enabled Japan to become the world's major car producer.

They have concentrated on keeping production as much as possible in Japan and developing very high volumes and exceptional production efficiency so as to tackle export markets with low-cost vehicles.

In this way they have snatched up all the growth in light commercial vehicle sales. The European manufacturers have suffered most because they have always been more accustomed to exporting than the U.S. companies.

The Europeans have been pushed back further and further into their own territories. For some years the Japanese built up sales mainly in those European countries which do not have their own national manufacturers.

They changed tack recently to make a big push into West Germany, practically the only major market in Europe with an "open door" policy.

The Japanese share of the West German market for medium commercials (vans and pick-ups) rose from 4.5 per cent in 1980 to 11.7 per cent in 1981, to 13.8 per cent in 1982, accelerated to 19.3 per cent in 1983 and by the end of April this year stood at 25.8 per cent.

As for light commercials (car-derived vans and some micro-vans) the best came between 1980, when the Japanese

**By Kenneth Gooding**  
Motor Industry Correspondent

share in West Germany was 5.3 per cent and 1981 when it soared to 29.9 per cent. Since that time the Japanese share has peaked at 35.4 per cent in 1982 before slipping back to 26.4 per cent at the end of April this year.

This progress in Germany has helped lift the Japanese share of total West European light commercial vehicle sales in spite of the fact that Japan is practically excluded from selling in Italy, Portugal and Spain and faces constraints in France and the UK.

The Japanese at the end of April had an 11.1 per cent share of West European sales of light commercials, up from 5.4 per cent in 1980. In the medium commercials market, Japan's penetration improved from 11.8 per cent in 1980 to 19.7 per cent by the end of April this year.

Faced with various forms of protectionism which has prevented volumes surging ahead at past rates, the Japanese have chosen to increase their income from Europe by selling commercials with a higher value—hence their progress in the medium sector recently has been faster than in the light commercials business.

The West German motor industry relies as heavily as Japan's on vehicle exports and its leath to resort to any form of protectionism. But in the van and light truck business the Japanese are taking a heavy toll.

Last year exports of commercials of between two and six tonnes gross weight from West Germany fell by nearly 10 per cent (from 74,525 to 67,140



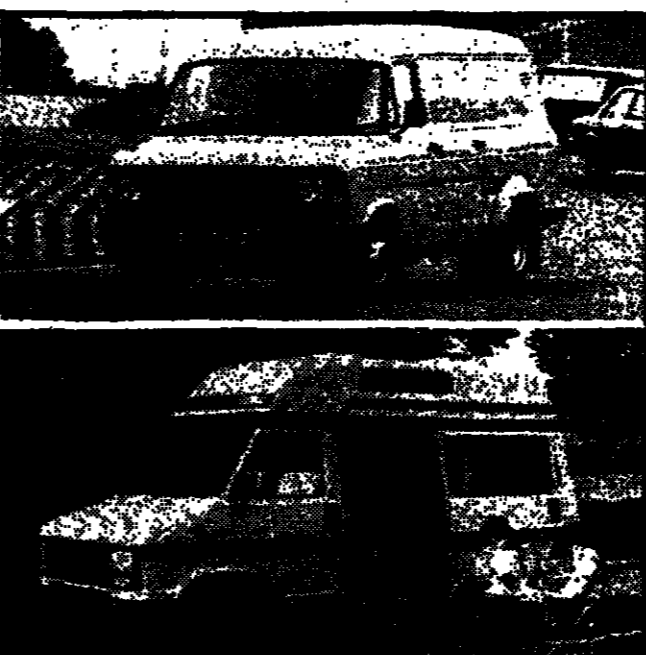
and the major producer, Volkswagen, suffered decline in output. The VW van plant, however, has been on more or less permanent short time working as production fell from 78,800 in 1980 to 68,700 in 1981 and to 66,200 last year.

**Growth**

Meanwhile, Japanese export growth continued. Exports of small trucks (up to 2 litres and above 500 cc) accounted for nearly 82 per cent of last year's output totalling 1,478,035.

In 1982 Japan produced 1,377,195 small trucks and exported 78.1 per cent.

The country also produces huge numbers of midsize commercials with power units up to 500 cc but these are peculi-



arly Japanese and there is little export. Output of midsize last year was up from 1,213,520 (of which 58,810 were exported) to 1,241,250 (30,170 exported).

To give some comparison—although because of the different requirements in different national markets exact comparisons are not possible—U.S. production of vans and light trucks last year was 2,136,000, up from a depressed 1,725,455 in 1982.

And output of commercials up to 3.5 tonnes gross weight in the major European production countries (Belgium, France, Italy, Netherlands, UK and West Germany) according to DRI Europe, fell from 878,230 in 1982 to 872,210 last year.

The Japanese have shrugged

make about 7,000 Vanettes a year for Spain and another 8,000 for export.

Another Japanese light commercial vehicle producer, Isuzu, is to have its WFR van (similar in size to the Vanette) produced in the UK by General Motors Bedford subsidiary, starting at the end of this year. GM has spent some time on "Europeanising" the Isuzu van and hopes to lift EEC content to 80 per cent by ex-factory value so that the vehicle will be given free access to countries such as France and Italy where Japanese products face severe restrictions.

GM expects annual output of the WFR to rise to 20,000 and to export about half that number.

GM, the world's largest vehicle producer, has a 34 per cent shareholding in Isuzu and has drawn the Japanese company very closely into its "world truck and bus" programme.

The first vehicles resulting from this project—which links GM's commercial vehicle operations in the U.S. and Brazil with those of Bedford in Britain and Isuzu—will not be seen until the end of the 1980s by which time the Bedford CF van will be getting very old in the tooth.

Ford has found that a company can wait too long before replacing a popular commercial vehicle and the Transit van, now in its 20th year, is at last showing signs of fading in the market place.

Partly this is because the Transit's main rivals in Europe are now all under three years of age, including the Volkswagen Transporter, Renault Trafic, Fiat Ducato, Peugeot J5, Citroen C35, Talbot Express and the Toyota Hiace.

And partly it is because more

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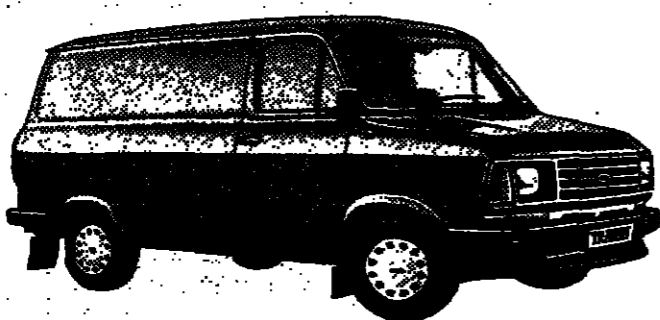
Editorial production:  
Michael Strutt  
Layout: Phil Hunt

and more potential customers are becoming aware that Ford's Transit replacement, code-named Triton, is due to be launched at the tail end of 1985. Meanwhile, competition in the van market seems certain to intensify. Continuing austerity measures in France will reduce consumer spending still further and have an adverse impact on the light commercial vehicle sector, thus forcing the French van producers to look to exports for growth. Italy faces the same kind of short-term problems.

As the recent European Trucks report from DRI Europe suggested: "The light commercial vehicle sector, which has come through the recession virtually unscathed, is due for a quiet period (of demand) in the short and medium term."

"The slow growth in consumer spending forecasts suggests that market volumes of vehicles up to 3.5 tonnes are unlikely to register significant gains in the near term. In the medium and longer term growth is expected to accelerate somewhat."

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## Vans and Light Trucks 2

FORD SPENDS £74m AS LIGHT COMMERCIAL VEHICLE SECTOR SEES...

# Heavy investment and buoyant sales

BRITAIN REMAINS a force to be reckoned with in the light commercial vehicle sector. BL's Freight Rover and Land Rover subsidiaries have been spending heavily on new products; General Motors is putting more money into Bedford—albeit for a Japanese-designed van—and Ford is in the process of revamping its Southampton van plant at the cost of £74m.

Ford has a great deal at stake because Southampton will build the replacement for the Transit van, for most of its 19 years the best-selling commercial vehicle in the UK and the most successful vehicle of its type in Europe.

In spite of Ford's efforts to freshen up the old van, Transit is finding the going increasingly hard now that most of the competition is less than three years old.

Ford's updating of Transit boosted its share of Britain's medium van market to 42 per cent in 1982. Last year it fell back to 38 per cent and by the end of April this year had dropped to 36.6 per cent.

Transit has been under pressure particularly from Renault's Trafic which has moved from a 2.9 per cent penetration to 5.5 per cent at the end of April and the Talbot Express, up from 3 per cent to 5.1 per cent over the same period.

Ford has now embarked on one of the largest investment projects ever announced for the UK commercial vehicle industry at the Southampton plant. It says the work will be completed by the end of 1985—which gives a clue to when we can expect to see the Transit replacement, code-named Triton.

The Transit is also produced at Ford's Genk plant in Belgium and the facility will almost certainly be revamped at similar cost because Ford's aim is to produce the Triton much more efficiently than the vehicle it replaces.

### The UK

KENNETH GOODING

For example, the company says that Southampton will get 80 robots and 50 programmable welding units as part of its reconstruction.

In the circumstances, Mr George Simpson, managing director of BL's Freight Rover offshoot, is particularly pleased that his company has completed revamping its product range ahead of the Triton's introduction.

Freight Rover was almost killed off in 1981 but was revived, given its own management team and £20m for new products and to upgrade its manufacturing facilities. Last year it achieved record sales worth £75m and its vehicle sales were 48 per cent up from the 1982 level at 14,210.

The new year started well for the company because it won a further major order from British Telecom—for 2,300 Sherpa vans—and then launched its wide-bodied van range.

These give Freight Rover more power to claw back sales from the market leader (Transit) and take it into the so-called PV3 sector for vehicles between 2.8 and 3.5 tonnes gross weight for the first time. Mr Simpson expects the wide-bodied Sherpa to capture 15 per cent of the PV3 sector by selling about 3,000 units a year. Ultimately he hopes for 20 per cent an annual sales of about 5,400.

So far this year the wide-bodied Sherpa has moved up to an 8 per cent share—every sales captured from a competitive van. Freight Rover had slipped to medium van market by 1982 only 13.9 per cent of the van from over 17 per cent. Last year it was back to 16.2 per cent.

That shows what new products can do and raises questions about Bedford's contender in the medium van sector—the CF. Bedford accounted for 14.2 per cent of the medium van market in 1981 after peaking at 16 per cent some years ago. By the end of last year its penetration was down to 10.3 per cent.

There is no sign that the CF will be replaced before the late 1990s. In the meantime, Bedford is launching into a different van sector with a version of the Isuzu WFR which is smaller than the CF and less likely to appeal to the large fleets.

Nevertheless, Bedford has spent about £17m to introduce the WFR which will be made alongside the CF at Luton where General Motors' total investment in new van facilities is £50m.

Bedford has worked on the WFR design to make it more European and promises that the van will be an 80 per cent EEC vehicle in content by ex-factory value. As a "European" van the Bedford-made WFR will have free access to markets like France and Italy where few Japanese commercials are currently sold because of restriction on imports.

In the UK the Japanese restrict their light commercial vehicle sales at around 13 per cent of the total market.

Annual production of the WFR, which is expected to roll off the Luton lines at the end of this year, is forecast at 20,000 with half for export.

General Motors is also considering introducing a version of Suzuki's micro-van at Luton, but this project now seems many months away.

Bedford launched a revised range of CF vans in June with transmissions made by GM's subsidiary in the Philippines and an engine from Opel in West Germany, both replacing UK-built units.

Ironically, shortages of the engines—2-litre petrol units—caused by the metal workers' dispute in West Germany brought the CF van lines at Luton to a halt very shortly after the revised range was launched—which must have given GM further food for thought about its world truck and bus programme.

The "old" CF was given substantial marketing support by Bedford in the early part of this year. And Freight Rover helped Sherpa on its way by offering dealer's salesmen £25 for every one they sold. These two campaigns helped lift the total medium-heavy van market but most forecasters believe this particular sector is on its way to a record in 1984 in any case.

The Society of Motor Manufacturers and Traders' April forecast for example, suggested registrations would reach 123,000, an all-time high and well above last year's 116,825.

Light van sales are also forecast by the society to be buoyant this year. It forecasts 88,000 registrations, up from 85,500 last year but still some way behind the record 92,600 for 1979.

General Motors is doing much better in the light van sector because of the popularity of its Astra van. GM's share of the sector improved from 16.6 per cent in 1982, to 18.9 per cent last year and by the end of April was up to 22.5 per cent, not far behind Austin Rover's 23.6 per cent (down from 28.2 per cent for 1982).

Ford still leads the light van sector—its 1982 share reached 38.4 per cent but it has now slipped to about 30 per cent—and is now in a position to match the Astra with revised versions of the Fiesta and Escort vans.

Diesels raced to 45 per cent of total Astra van sales after GM made the oil-burning engines available.

The new Ford 1.6 litre diesel engines, introduced at a cost of \$196m and with a planned output of 150,000 a year at its Dagenham plant in the UK, could be accounting for 30 per cent of the company's car-derived van sales before long, according to the company's more optimistic diesel supporters.

### PRODUCTION OF VANS AND TRUCKS IN WEST GERMANY

	1978	1979	1980	1981	1982	1983
Vehicles up to 2 tonnes .....	3,690	8,235	6,135	6,499	12,576	31,290
Vehicles over 2 tonnes to 6 tonnes...	156,090	161,435	181,090	138,059	123,000	131,745
Total vans and light trucks .....	159,780	170,060	187,225	144,540	135,576	163,035
All vans and trucks (including over 16 tonnes) .....	265,810	280,905	314,985	272,475	257,335	239,185

Source: West German Automobile Industry Association (VDA).

## Sluggish market and invasion cause problems

### West Germany

JOHN DAVIES

WEST GERMAN makers of vans and light trucks have had more than their share of troubles—with sluggish markets, growing foreign competition and, on top of it all, the recent labour conflict over demands for a shorter working week.

Executives have been anxiously counting up the days as the labour dispute in the country's metal industries dragged on much longer than expected, leaving vehicle assembly lines idle.

The immediate impact on sales was limited, because of dealers' stocks and supplies in the pipeline to export markets. But the length of the dispute caused concern that opportunities could be lost, just as some markets were showing signs of promise.

The prospect of higher wage costs arising out of a settlement of the labour conflict is also discouraging to the industry. German producers have already reduced output further through early retirement at the 57. For a limited period, the company also offered aid to foreign workers prepared to return to their home countries.

Overall production of vans and trucks of up to six tonnes permissible weight showed a recovery last year, but the revival was basically in the sector of car-derived vans, which have developed an appeal as leisure vehicles, as well as commercial workhorses.

Reflecting this trend, production of vehicles of up to two tonnes reached 31,160, an increase of nearly 150 per cent on 1982 and eight times as many as in 1978. On the other hand, vehicles of between two and six tonnes showed a further decline—for the third year in a row—to 121,745. However, the decline in 1983 was much less than the 10.5 per cent drop in 1982 and the sharp 23.8 per cent setback in 1981.

In the early months of this year, production of vehicles up to two tonnes showed a further increase—reaching 13,700 to the end of April, up nearly 50 per cent on the same period last year.

In the heavier range from two to six tonnes, output was barely ahead of a year ago at 44,910 to the end of April, but was still well below production in the same period two years ago.

Sales of vans and light trucks in West Germany were boosted last year by Federal Government aid for investment and general economic revival.

New registrations reached 79,280, up 16.3 per cent on 1982. But even so, the recovery did not fully make up ground lost earlier. Sales were held down on the 83,120 of 1981, and 95,500 of 1980.

The biggest increase in sales last year was in the smaller segment of two to six tonnes, up 51 per cent to 14,285, while the range of two to six tonnes advanced 10.6 per cent to 64,945.

The West German market shows some further signs of revival this year, but sales have been distorted by unsettling effects of the labour dispute—with some customers anticipating disruption and bringing forward purchases, while others have shown reluctance to invest until the effects of the dispute on the economy are clear.

### Export sales

Export sales of lighter vans of up to two tonnes improved last year, rising 150 per cent to 25,245. Heavier vehicles from two to six tonnes generally encountered sluggish markets with exports declining 90 per cent to 67,140.

The biggest force in the West German market, VW held on to a market share of 44 per cent in the ranges up to six tonnes last year, but its share has been steadily eroded over the years and it faces strong competition from Japan.

The U.S. has been a bright spot for VW this year. Dr. Carl Hahn, the chief executive, pointed out recently that VW exported 6,450 Type 2 transporters to the U.S. in the first four months of this year, a 37 per cent increase.

Short-time working has been a regular feature of life at VW's Hanover plant in recent years, and the company operated 15 days of short-time work in the first four months of this year. However, some export markets in Europe were promising last year and have continued to pick up this year, while the U.S.—where Volkswagen has been building up sales of its Type 2 transporter—has shown rapid improvement.

VW has still been wrestling with big problems in its commercial vehicle business, with output of its Type 2 falling 17 per cent last year to 155,500—compared with 217,576 in 1980.

its third largest European export market, showed a 45 per cent increase. Italy, where the market was recovering from a trough, Daimler-Benz recorded an increase of over 50 per cent.

Because of the labour dispute, Daimler-Benz lost production of about 5,000 transporters by the end of June, but is hoping to make up some of the lost ground through extra shifts. Although the domestic market trend is uncertain, it is more confident about export markets.

Daimler-Benz has been in the process of concentrating all of its light commercial vehicle production at Dusseldorf—moving smaller vehicle assembly from Bremen, which is becoming a second major car assembly plant in addition to Sindelfingen, near Stuttgart. The process of transferring production from Bremen to Dusseldorf is expected to be completed by late summer.

Ford, which produces its Transit vans at Genk, Belgium, suffered a setback last year, with production down 25 per cent to 34,490. Production in the first five months of this year, however, was 18 per cent ahead at 18,215.

Ford's market share in West Germany declined from 10.8 per cent in 1982 to 9.3 per cent last year. In 1979 it held a market share of 15.5 per cent and in 1980 13 per cent.

Herr Roger Leitz, a board member, said that Ford aimed to hold its market share at 9 to 10 per cent, a goal it believed was realistic.

M. Daniel Goudevert, the French head of Ford, said recently that the pressure of Japanese competition had greatly increased—and Japanese imports would gain further ground as a result of the labour troubles over shorter hours. He pointed out that in one market segment of light commercial vehicles the Japanese had a market share of 4 per cent in 1980, but had boosted it to 24 per cent in the first four months of this year.

He sees the Japanese challenge as a major problem—made more difficult by the extra costs involved as a result of the dispute over a cut in working hours.

### Under capacity

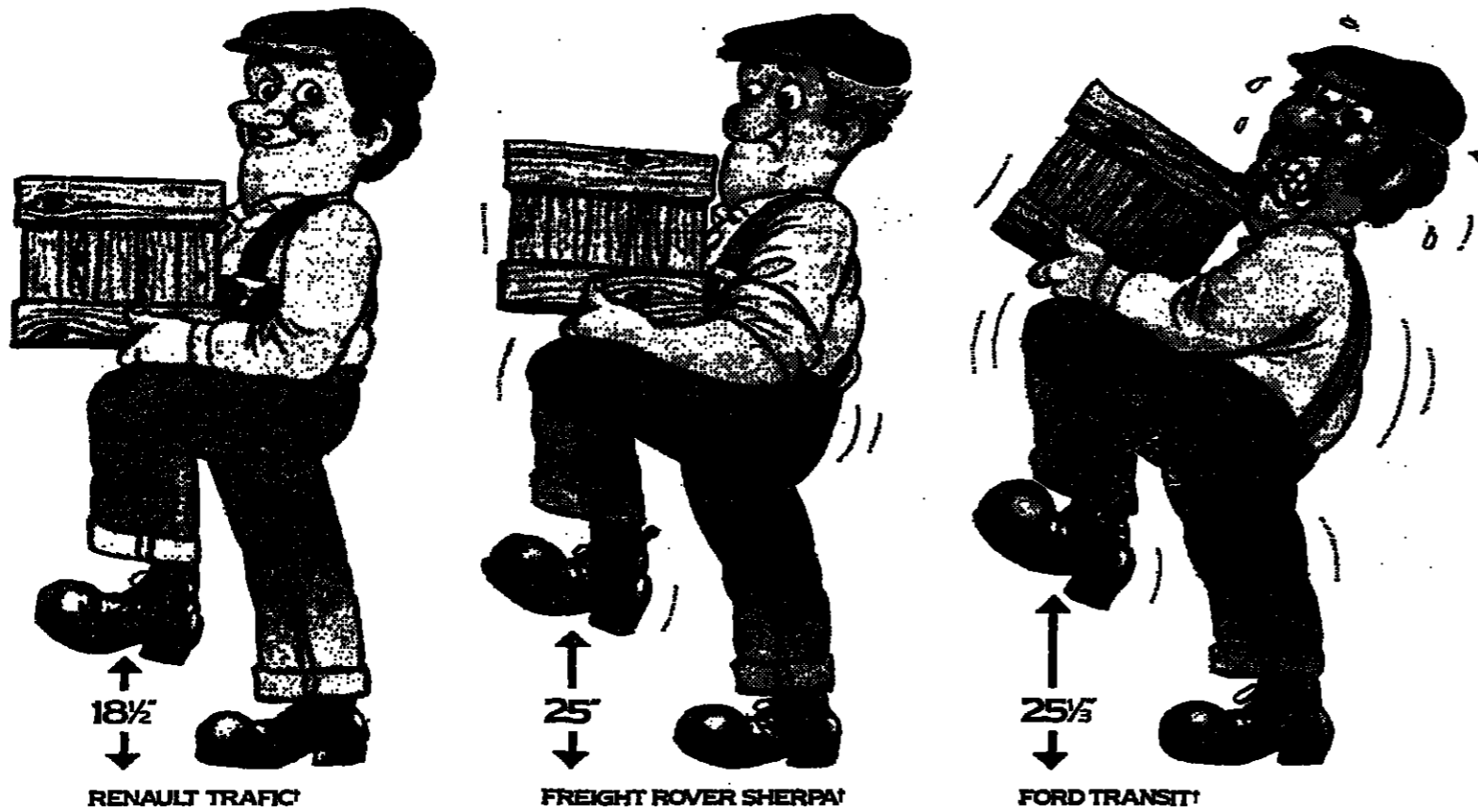
As the Hanover plant has been running at well below full capacity, its work force, now down to about 19,500, is to be steadily reduced even further through early retirement at the 57. For a limited period, the company also offered aid to foreign workers prepared to return to their home countries.

Daimler-Benz production in the range of two tonnes edged ahead to 46,500 last year, but its output in the four to six tonnes was slightly lower at 17,380. Its total production was running marginally ahead in the first four months of this year at 21,715.

Its sales in West Germany showed a 4.7 per cent rise in the first four months of this year at 10,195 and its market share moved up to 24.9 per cent from 24.6 per cent in the same period last year.

It has found encouraging signs in European export markets. In the first four months of this year, sales of its lighter commercial vehicles in the two to four tonnes range in France—its main European export market—were running 25 per cent ahead of last year, although heavier vehicles showed a decline.

In the UK, its overall sales were running 1.6 per cent ahead, while the Netherlands,



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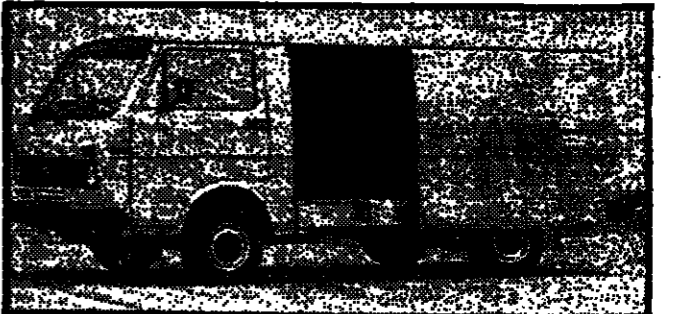
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Above: Mercedes' latest 7.5 tonners match the private car for ease of driving. Below: Volkswagen's LT deliverer van which can be fitted with either six-cylinder 2.4 litre petrol or diesel engines

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## Vans and Light Trucks 3

# Fiat exports a runaway success

**THE REVIVAL** of Fiat, the success of the Fiat Uno car and the Turin-based company's rising share of the Italian car market (higher than that of any other manufacturer in its home market) are well-known facts. What is less well known to anyone not connected with the sector is the great success Fiat has had recently in the field of vans and light trucks.

The figures almost speak for themselves. In 1981 Fiat Auto, the car and light vehicles subsidiary of the group, had 40.4 per cent of the Italian commercial vehicle market (for vehicles of up to 1.5 to 1.8 tonnes carrying capacity). In 1983, this share had risen to 53.2 per cent, and in the first four months of this year it has risen to 56 per cent.

This success was achieved at a time when the market as a whole was declining—from 115,000 vehicles in 1981 to 105,000 in 1983.

One word explains much of what Fiat has achieved—Ducato. Ducato is the name of the new range of vans in the 1.3 tonne capacity range which

**Italy**  
JAMES BUXTON

produced in a highly-automated plant which achieves a very high quality of finish. When it came on the market Fiat had no diesel van in that range, despite the fact that diesel fuel is about a third cheaper than petrol in Italy. So when it arrived, the well-entrenched Fiat sales organisation was able to make the most of those factors which induce a majority of Italians to buy Fiat if they can, and ensured the Ducato's success.

**Share**

The biggest loser in face of the Ducato was Ford, whose Transit van had about 30 per cent of the Italian market, thanks in part to its diesel engine. The Ducato pushed the Transit's sales down, until last year it accounted for 17.3 per cent of the market, and its market share was down 15.3 per cent in the five months to May this year, according to Fiat.

Other vans, the Volkswagen Transporter, the Renault Trafic,

the Bedford CF and Leyland Sherpa, all suffered too — the Sherpa to the point where its market share was only 0.3 per cent in the first five months of 1984, compared with 4.5 per cent in 1981.

Ford is now striking back by putting a new diesel engine into the Transit, which is now 20 years-old. Fiat, however, buoyed by the success of the Ducato, is sceptical as to whether the U.S. company will succeed in doing more than arresting its market decline.

In the smaller 500 kg sector of the market the Fiat Fiorino, a version of the Fiat 127, has recently increased its already strong market presence by the addition of a diesel version.

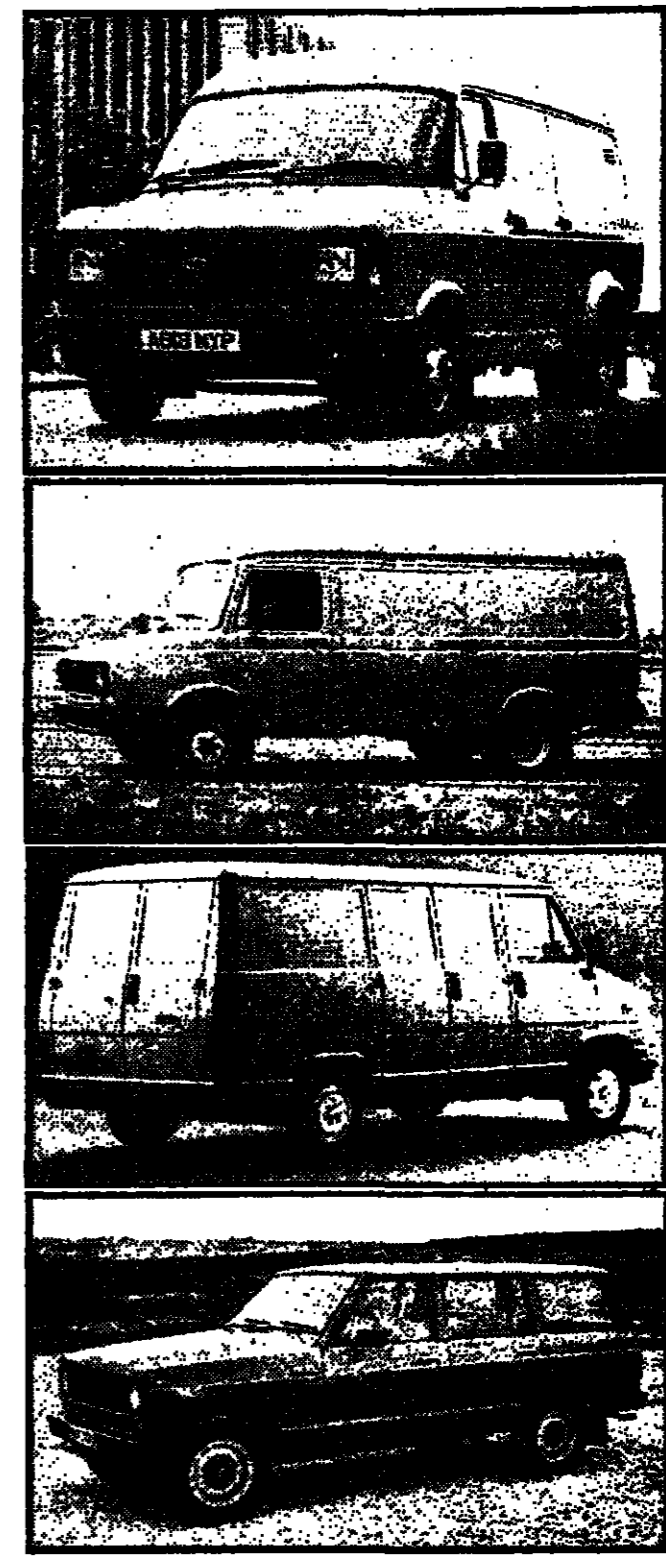
The share held by the Fiorino, which for the Italian market is made by Fiat in Brazil, rose from 83.3 per cent in 1981 to 87.6 per cent in 1983 alongside it. However, the Marengo has seen its share go down from 29 to 23 per cent over the same period.

The Ducato also appears to

have taken market share from the Fiat 242, an older petrol-engined design in the 1.5 to 1.8 tonne sector of the market. The Fiat 242's share went down from 23.5 per cent in 1981 to 13.6 per cent in 1983.

Nevertheless, Fiat executives who predict that the Italian van market this year would begin to recover have so far been proved wrong. It was down another 9 per cent in the first four months of this year, compared with rises in West Germany and Britain. The company now thinks that the upturn will come in the second half of the year, so that the outcome for the whole year will be about the same as in 1983.

Fiat has pushed up its share of the Italian market, but it still remains a relatively small van producer in the European context, with a total of 8.8 per cent of the market in 1983 compared with 7.8 per cent in 1981. Outside Italy, its market share averages 3.5 per cent, nowhere in double figures, with Belgium, Austria and Switzerland its best markets.



Top: Ford's Transit and Leyland's Sherpa panel vans, which have both lost market share to Fiat's new Ducato (third down). Above: the Nissan Patrol, now beginning to be exported from Spain

# Market facing setbacks despite Nissan start-up

**A NEW** television campaign with a simple, potent message, "The Japanese," has roused home the most important recent change in Spain's commercial vehicle industry—the entry of Nissan as controlling shareholder of the Barcelona manufacturer, Motor Iberica.

However, Nissan's arrival has worked no miracles on the overall trend in sales for the sector, which continues to be in decline.

Indeed, despite a successful start-up last year for the Nissan Patrol cross-country vehicle, now beginning to be exported, Motor Iberica has if anything been faring worse than its competitors in its other, pre-Nissan product lines.

Production of the Patrol, the first Japanese-design motor vehicle to be made by a Japanese-controlled company in Europe, has only just managed to stem the fall in output which Motor Iberica has been suffering since 1978. Total production there recovered to 29,800 vehicles last year from 28,900, with all other categories once again on the decline.

**Spain**  
DAVID WHITE

Hefty financial charges pushed 1983 Motor Iberica losses up to Pts 5,770n (£27m), much higher than expected and almost twice 1982's. Nissan is now expected to carry almost all the burden of an operation to double the capital base from Pts 11bn to Pts 22bn, raising its stake, which started at 36 per cent (bought from Massey-Ferguson) in 1980, from about 70 to some 85 per cent.

The latest injection is roughly the same amount that it has already spent on buying into the company and subscribing to new shares.

Meanwhile, the shrinkage in sales of Spanish commercial vehicles has begun to affect sectors of the industry which had up to this year managed to escape the general gloomy trend.

The last remaining sector still buoyant in the first quarter, thanks to the Nissan Patrol—was four-wheel-drive vehicles, with domestic sales up 32 per cent and exports up 26 per cent. But its competitor Land Rover Santam, Spanish-controlled affiliate of the UK producer, has met a sharp setback on the home market, and March figures showed an overall drop of 21 per cent in Spanish sales, and 53 per cent in exports, compared with the same month last year.

**Compensate**

Van versions of saloon cars, which had also been doing relatively well, showed losses of 12 per cent in output, 12.5 per cent on the home market, and 18 per cent on export markets, in the first quarter.

Increased sales by Seat and Ford in this category failed to compensate for setbacks suffered by Renault and by Citroen, which dropped back into third place behind Seat.

The home market for saloon-derived vans is still, however, better than it was in 1977. This is far from the case for vans proper or for light lorries, where domestic sales are almost 60 per cent lower than they were then.

These sectors—as well as heavier road vehicles—are covered by three companies, Motor Iberica, Mercedes-Benz Espana (a subsidiary of Daimler-Benz, with Spanish state participation) and the state-owned Enasa, makers of Pegaso trucks and buses.

Domestic sales of vans by all three were down in the first quarter, with the total falling by 19 per cent, while exports, which concerned only the first two companies, plunged 37 per cent, against the same period last year. This compared with drops of 6 and 11 per cent, respectively, for the whole of 1983.

Van production, after falling 13 per cent last year, was 9 per cent up in the first quarter, an increase solely accounted for by

Mercedes. The others cut back by close to 60 per cent.

In light lorries, domestic sales by Spanish producers after decreasing by 12 per cent last year, were 21 per cent down in the January-March period. This fall reflected a 30 per cent drop in sales of Motor Iberica's light Ebro trucks.

On the export market, light truck sales were almost 28 per cent below the level of the first quarter last year.

Although Enasa, number three producer in this sector, built up both output and sales, overall production in the quarter was 19 per cent down following an 8 per cent drop in 1983.

Interest in the light commercial vehicle sector will be focused on the success or otherwise of the Nissan Vanette, due to go into production at Motor Iberica by the end of the year, after considerable delay.

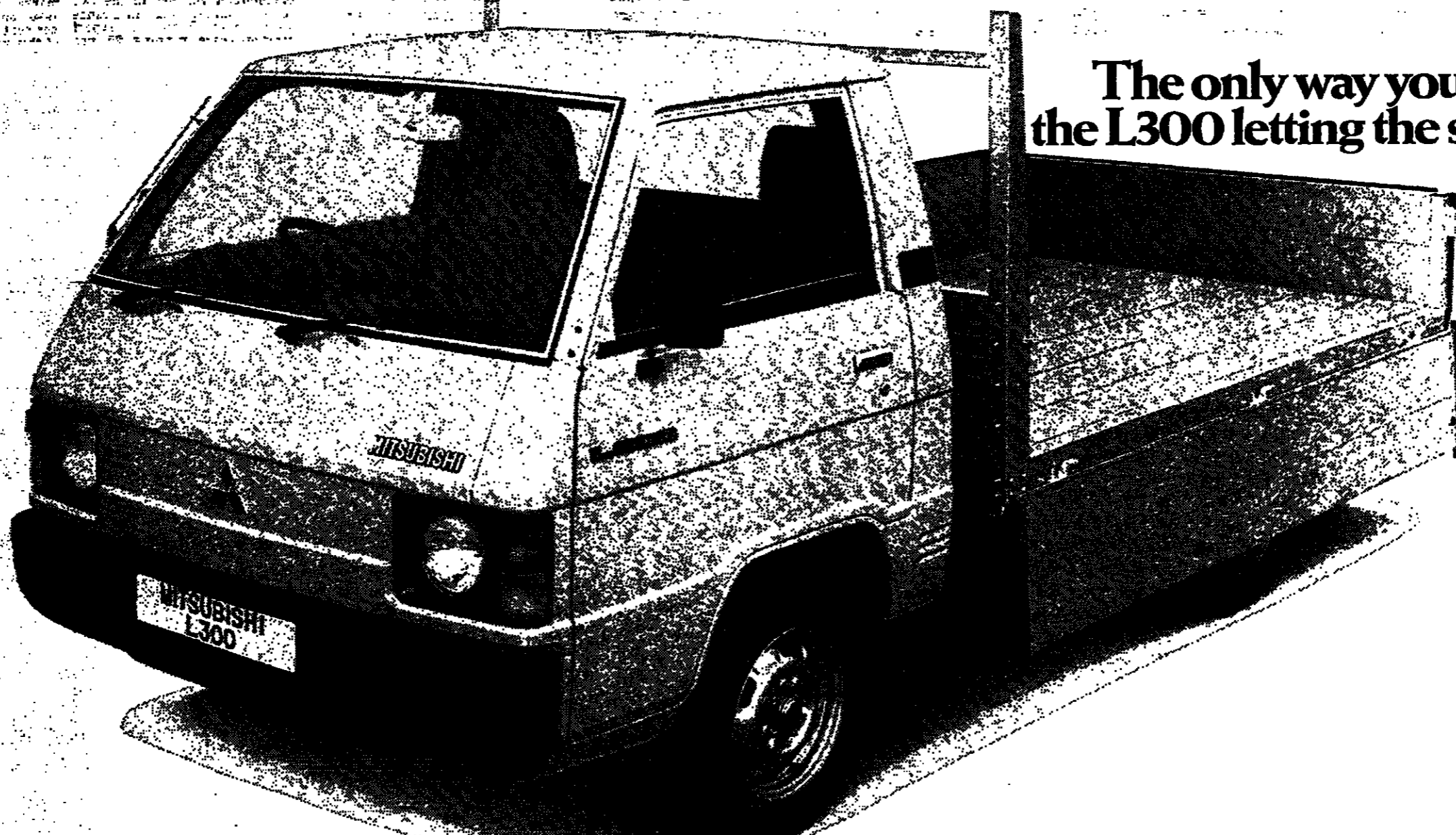
In the interim the Japanese group's small van has been re-designed for Spanish and European customers, made rather bigger, with a diesel engine.

Beyond this, Nissan is looking towards a future new range of vans at its Spanish operation, moving progressively towards all-Nissan technology, including motors, for Motor Iberica's products, with the sole exception of its farm tractors.

**SPANISH PRODUCTION 1983**

	Vans	% change	Light trucks	% change
Enasa	3,390	-23.7	990	-61.9
Mercedes	7,570	-27.7	1,565	-8.3
Motor Iberica	8,225	-6.4	6,420	-12.6
<b>Total</b>	<b>19,090</b>	<b>-12.9</b>	<b>8,795</b>	<b>-7.9</b>

Source: Spanish Assocn. of Automobile, Truck, Tractor & Motor Manufacturers.



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## Vans and Light Trucks 4

# Market holds up despite pressures

**France**  
PAUL GETTS

THE FRENCH market for vans and light commercial vehicles has held up far better than the domestic passenger car market. During the first five months of this year, passenger car registrations in France have taken a nosedive, declining 12.6 per cent to 765,400 registrations.

By contrast, new registrations of vans and light commercial vehicles under five tonnes have fallen at about half the passenger car rate by 6.3 per cent to 119,645 registrations for the first five months of the year compared with the same period last year.

The main explanation for this more respectable performance in a difficult economic environment is the more stable characteristics of the market for vans and special vehicles. According to a spokesman for Renault, the state-owned French car group: "The market base for these vehicles is more stable because a large number of customers are administrations or companies with fleets of vans and small trucks."

**Budgets**  
He added that the owners of these fleets often had fixed budgets and in any case had, for their businesses, to renew their fleets. "It's not like the private individual who is far less likely to buy a new car or replace his old one at a time of an economic squeeze," the Renault official remarked.

Although the van market has clearly not escaped the economic slowdown in France, the car industry generally expects the sector to continue to perform adequately in the coming months. "We do not expect any sudden great surge nor any sudden great fall," said an official of Peugeot, the private French car group which embraces the Peugeot, Citroen and Talbot marques.

Renault's small commercial vehicles and vans sector has performed far better this year than the large passenger car operations. Van sales have declined 3.2 per cent during the first five months of this year compared with the year ago period while domestic passenger car sales have plunged 20 per cent.

Moreover, while Renault has been losing domestic market share in the passenger market, it has advanced to 46.7 per cent from 45.2 per cent in the domestic van market.

For its part, the Peugeot group has seen domestic sales fall by about 10 per cent so far this year and market share fall from 34.4 per cent to 33 per cent. Foreign makers have managed to maintain a steady share of the French market of a little more than 20 per cent although sales this year have so far declined by 6.7 per cent.

In the French light truck market, Renault's under five tonne Traffic and Master range have continued to sell adequately, especially in the case of the Master.

The rivals of this light truck range at Peugeot are the vehicles produced jointly by the French private car group and Fiat of Italy at their joint venture of Val di Sangro in southern Italy. This venture has proved to be one of the few collaborations efforts between two European car producers to have worked.

Peugeot markets the light truck from Val-di-Sangro under the name of G15 while its Citroen subsidiary calls it the C-25 and in the UK it is sold as the Talbot Express. In Italy, Fiat markets it under the name of Ducato.

A revealing aspect of how the market of a vehicle can affect sales is the fact the Peugeot G-5 has seen its sales decline so far this year by 5.7 per cent while those of the virtually identical Citroen C-25 declined by 7.9 per cent during the same period.

Citroen, however, is currently going through a difficult period with its attempts to reduce its workforce in France by 6,000

people including making 2,400 compulsory redundancies. The battle over the Citroen layoffs in the same way as the battle over job cuts at Talbot earlier this year, has inevitably had a bad commercial impact on the Citroen marque.

Peugeot is now expected to launch a commercial two-seater derivative of its highly popular and successful Peugeot 205 super-mini. This new car should do well judging from the commercial success of the Peugeot 205.

### Niche

Both the Peugeot group and Renault have found a good market niche for commercial two-seater derivatives of their most popular passenger car models. The reason for the success of these derivatives is that they carry a reduced value added tax rate of 17 per cent compared with 33.3 per cent for passenger cars in France. This VAT rate is clearly attractive to small businesses and commercial travellers.

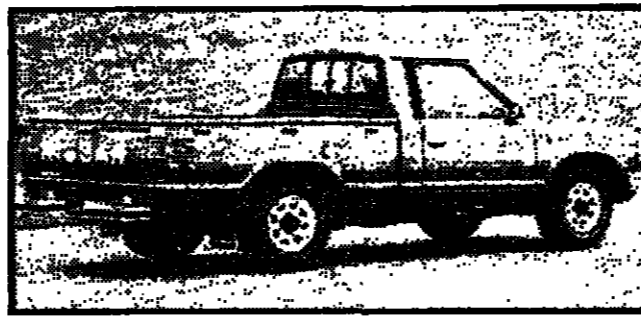
But perhaps the biggest novelty of all in this sector of the French motor industry was the launch last May of a van-type saloon car capable of seating up to seven people called the Espace. This original vehicle is the fruit of the association between Renault and Matra, the French state-controlled defence and electronics group. The Espace is the first European-made leisure van to be launched on the European market.

Sold as a Renault, the Espace is based on the American concept of leisure vans for touring in a vehicle which can, if desired, be transformed into a comfortable mobile sitting room complete with sofa, bar and other extras.

Renault and Matra believe there is a small specialised market for such vehicles in Europe, although the two groups also appear to have an eye on the U.S. market where Renault owns 49 per cent of American Motors Corporation (AMC).



Nissan's standard one-tonne pick-up truck (above) and Sport Truck (below). Such pick-ups have pioneered an entirely new sector in Europe which European makers have made strides to supply. Right: the Toyota Hiace diesel, one of the most popular panel vans in the European market.



### JAPAN'S IMPORTS AND EXPORTS

	Production	Exports	Imports
1979	3,397,000	1,424,000	213
1980	3,913,000	1,554,000	538
1981	4,103,000	2,018,000	783
1982	3,783,000	1,774,000	451
1983	3,904,000	1,823,000	337

Source: Japan Automobile Manufacturers Assoc.



One of the newest arrivals in the medium vans sector is Mazda's E3000 panel van, launched in the UK last month. Like Bedford's planned WFR van, due to go into production in the autumn, it has a one-tonne payload. It is being built at Mazda's Hofu plant. The side panels are pressed as a single item on one of the biggest presses used in the Japanese vehicle industry, and the seamless roof panel is also from a single pressing. Both innovations were made to reduce body assembly time.



# Demand for larger vehicles revived

### Japan

ROBERT COTTELL

JAPANESE manufacturers are seeing a revival of domestic demand for larger trucks, while microvans now appear to be losing some of their popularity.

Microvans typically with engine capacities of up to 550 cc, enjoyed a popularity boom during the mid-1970s resulting from rising oil prices and an increasingly large proportion of women drivers in Japan. The small engines qualified for tax and insurance rates substantially below those of larger vehicles.

The microvan was originally pioneered in the 1950s by Daihatsu, which remains a leading producer. Daihatsu originally produced a 360 cc van tailored to the narrow, winding streets common to Japanese

### JAPANESE TRUCK EXPORTS BY DESTINATION

ASIA	654,785
of which, Saudi Arabia, 198,895	
EUROPE	228,715
of which, EEC, 15,955	
AMERICAS	650,490
of which, USA, 536,475	
AFRICA	189,280
of which, South Africa, 53,750	
OCEANIA	146,440
of which, Australia, 115,930	

Source: Japan Automobile Manufacturers Association.

cities. Last year, the company produced 530,000 vehicles, two-thirds of which had engines of below 550 cc.

According to an analysis of new truck registrations by loading capacity, produced by the Japan Automobile Manufacturers Association, midsize truck registrations rose to 1.2m in 1983, from 1.154m in 1982 and 1.064m in 1981, the only sector of the truck market to show an unbroken year-on-year rise through that period.

In the fourth quarter of 1983, however, sales of these minivans recorded a year-on-year decline of three per cent, the first such drop since 1977. Analysts say the main reason is that micro van owners are beginning now to trade-up to larger vehicles.

In an attempt to hold on to their customers, mini-vehicle manufacturers including Suzuki and Fuji heavy industries last year introduced one-litre hatchback and light van models.

Sales of larger trucks in Japan declined for the fourth consecutive year in 1983, but analysts say that the market is now experiencing a cyclical upturn. A factor limiting market growth may be the government's present fiscal austerity programme: past truck sales "booms" in 1978 and 1979 were helped by increased government spending on capital works.

However, the industrial private sector in Japan is performing strongly, while slack sales of trucks in recent years means an increasing number of older trucks now on the road and in need of replacement.

Domestic market share of truck manufacturers: new truck registrations by make, 1983:

Daihatsu	271,730
Fuji	210,370
Hino	12,925
Komatsu	159,875
Isuzu	110,520
Mitsubishi	288,965
Nissan Diesel	18,150
Nissan	284,290
Suzuki	271,940
Mazda	150,880
Toyota	346,540

Truck market share by capacity: new registrations, 1983, by loading capacity:

Midsize	1,204,555
Small	910,530
3-4 ton	60,765
5-6 ton	1,715
7-8 ton	2,895
9 tons and over	24,530
Jeeps, tractors	11,585

Source: Japan Automobile Manufacturers Association.

Japan's light truck producers are compensating for a slower domestic market by trying to boost sales and production of vehicles abroad. Last year saw Nissan begin making light trucks in Tennessee, in the U.S. Daihatsu in spring this year announced plans to start production of light trucks in Tianjin, China, in 1986—the first such venture into China by a Japanese vehicle producer.

The plant is likely to make a version of Daihatsu's H12 truck, which has a 450 kilowatt load capacity. China expects gradually to increase local production of parts for the H12, with the eventual goal of fully domestic production.

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## Vans and Light Trucks 5

Alternative form of propulsion for light commercial vehicles makes strides with . . .

# Battery power: the shape of things to hum

**TWO COMPARATIVELY** ordinary-looking UK-built vans, a Bedford CF and Freight Rover Sherpa, set out to drive to Versailles last month. They did not, however, sound ordinary: instead of the usual exhaust sound they emitted only a subdued hum.

Their precise destination was a symposium organised by the French section of the European Electric Road Vehicle Association. The vehicles, present—complements of recharging facilities laid on by the Southern Electricity Board and Electricité de France—were intended to demonstrate that, after a number of false dawns, the age of the viable electric vehicle, capable of keeping up with other traffic had arrived.

UK-based manufacturers appear able legitimately to claim that they are pioneering the commercial production of electric vehicles—on normal assembly lines used also to build the conventional petrol—and diesel-powered versions of the panel vans and light trucks to which "electrics" so far are confined.

Bedford, BL's van subsidiary Freight Rover, Dunstable-based Renault Trucks International (formerly Carrier Motors, formerly Dodge) and Leyland Vehicles are all producing such vehicles for sale.

The have in common electric drive systems developed primarily by Lucas Chloride EV Systems, a joint company set up by Lucas and Chloride four years ago to design, develop and market such systems—and which claims to have an 18 months to two years lead on even the Japanese in the practical application of electric vehicle technology.

The experience of the first company into the field, Renault Trucks International, is that sales have fallen well short of expectations. Three years ago, when its electric Dodge 50 truck was first announced—with 6.6 tonnes gross vehicle weight and a two-tonne payload—the company said it expected to produce up to 20 a month. Since then, fewer than 60 have been built—and the customers have always been utilities or other public sector interests.

Against the more obvious benefits of the electric truck—quietness of operation, low direct cost of electricity compared with petrol or diesel, long-

### Electric-powered vehicles

JOHN GRIFFITHS

evity and freedom from road tax—  
are just as obvious disadvantages.

For a start, the electric Dodge 50, at £14,825 is almost twice as expensive as the equivalent Dodge 50 model powered by conventional means. Further, the electric's price is after what amounts to a subsidy to each purchaser from the Department of Trade and Industry of about £4,000 per vehicle.

The price includes the battery pack, however, which accounts for over a third of the total. And Bedford, for example, says batteries should not be considered part of the purchase price at all, but as part of the fuel costs.

### Charge

Whether this argument is accepted or not, the electric's biggest drawback for many potential users is its range—the Dodge 50 can travel about 55 miles on a single charge. That makes the vehicles suitable for, says urban delivery work on known routes—but provides no flexibility for longer journeys.

Thus the argument that the electric truck is competitive with conventional trucks on whole-life costs, through greater

longevity, lower maintenance bills and other factors (including the subsidy), hitherto has not made much headway in the private sector.

In January, however—and within a few days of each other—both Bedford and Freight Rover launched electric versions of their panel vans. And their experience to date suggests a rather brighter future for their electrics which could rub off on the heavier Dodge model.

Freight Rover expected to build and sell 100 electric Sherpas this year. The first 100 have already been sold, mainly to electricity boards and other public concerns but also, according to its managing director, Mr George Simpson: "There have been a handful to the private sector."

So Freight Rover now expects to build and sell 150 Sherpa electrics this year. "We are very encouraged says Mr Simpson, particularly since we had not gone out to market heavily." He forecasts that Freight Rover would produce 200 electric Sherpas next year with slow, steady growth thereafter; "but nothing spectacular without a major breakthrough in battery technology"—about which he is pessimistic, except in the very long term.

Bedford, with the most ambitious production plans for the electric version of its CF van, has sold virtually all of its first production batch of 175, and will start building 40 a month

from October. "The level of interest has been a lot stronger than we anticipated," according to a spokesman for the company, which has now appointed a full-time electric vehicles sales manager.

Bedford, which like Freight Rover is producing the electric model under exactly the same assembly lines as the conventionally-powered models, is now confident that its first cautious forecasts about the electric vans will be exceeded.

At the launch of the CF electric van, which has a one-tonne payload, the company's marketing director, Mr Des Savage, said that by five years' time the UK market for such vans could be 4,000 a year, rising to 10,000 a year by the end of the 1990s.

Last year's total panel van sales in the UK, for comparison, were 18,000. Bedford's 1984 target is 300 sales but, like Freight Rover, it expects demand to comfortably exceed this.

The electric Bedford costs £9,750, compares with batteries and charge—again after the DTI subsidy. The diesel version of the CF costs £5,630; the petrol model £4,820.

But strip out the battery cost, says Bedford and the purchase price comes down to £5,465.

Assorted battery leasing schemes are being devised, reinforcing the Bedford view that they should be treated as a fuel cost.

Bedford's calculations are that the electric can offer equal, or slightly lower, whole-life costs compared with a petrol or diesel van run for six years and 65,000-70,000 miles. Direct fuel costs, it points out, are under 5p a mile for the electricity used to charge the electric, against 8-10p per mile for the petrol or diesel models.

The one thing that could swing the market sharply in the electric's favour is, of course, another oil crisis, of which the Iran-Iraq confrontation and the threats to close the Strait of Hormuz have provided an unpleasant reminder.

In the absence of such a development, however, other manufacturers such as Volkswagen are sceptical about the potential of the electric.

Dr Ulrich Steffert, head of Volkswagen's research, suggests that if there is any kind

of future for the electric it will probably lie with the "hybrid" in which a small internal combustion engine is used in conjunction with the electric drive systems to constantly recharge the batteries and/or to provide extra power for manoeuvres such as overtaking.

Not unaturally, the users who are most complimentary about the electrics are the electricity boards themselves, who have the greatest number of them—and have a vested interest in terms of selling the "fuel."

For example, Southern Electricity has a fleet of over 70, which cover nearly 500,000 miles a year. It has been evaluating electrics since 1977 and provides experience in terms of fuel costs are cut by 60 per cent; maintenance and repairs by 25 per cent; life expectancy of vehicles is raised by 35-40 per cent and the utilisation is at least as good as conventional vehicles.

Other bonuses it lists are exemption from road tax, the MoT test and operator's licence, less fatigue among drivers and fewer accidents thanks to the absence of vibration.

Any attractions the electric currently poses in the UK would be immediately thrown out of the window, however, if the DTI were to suddenly withdraw its £4,000 per unit subsidy.

There is little prospect of that happening as the DTI is keen to encourage the UK manufacturers in an area in which they appear to have a lead.

But it is a "market entry" subsidy, and it will gradually decrease in size if sales and production take the steady upward path predicted. Thus, if the current climb continues on course towards Mr Savage's first production of a 4,000 market by 1989, the need for the subsidy should disappear by 1987 at the latest.

None of the manufacturers have seriously considered exports. But an encouraging note for Bedford is that, after its General Motors parent's failure to bring a planned electric car into volume production in the U.S. this year, the electric CF—which is on trials in the U.S.—appears to have become the "showcase" for GM's electric vehicle technology.

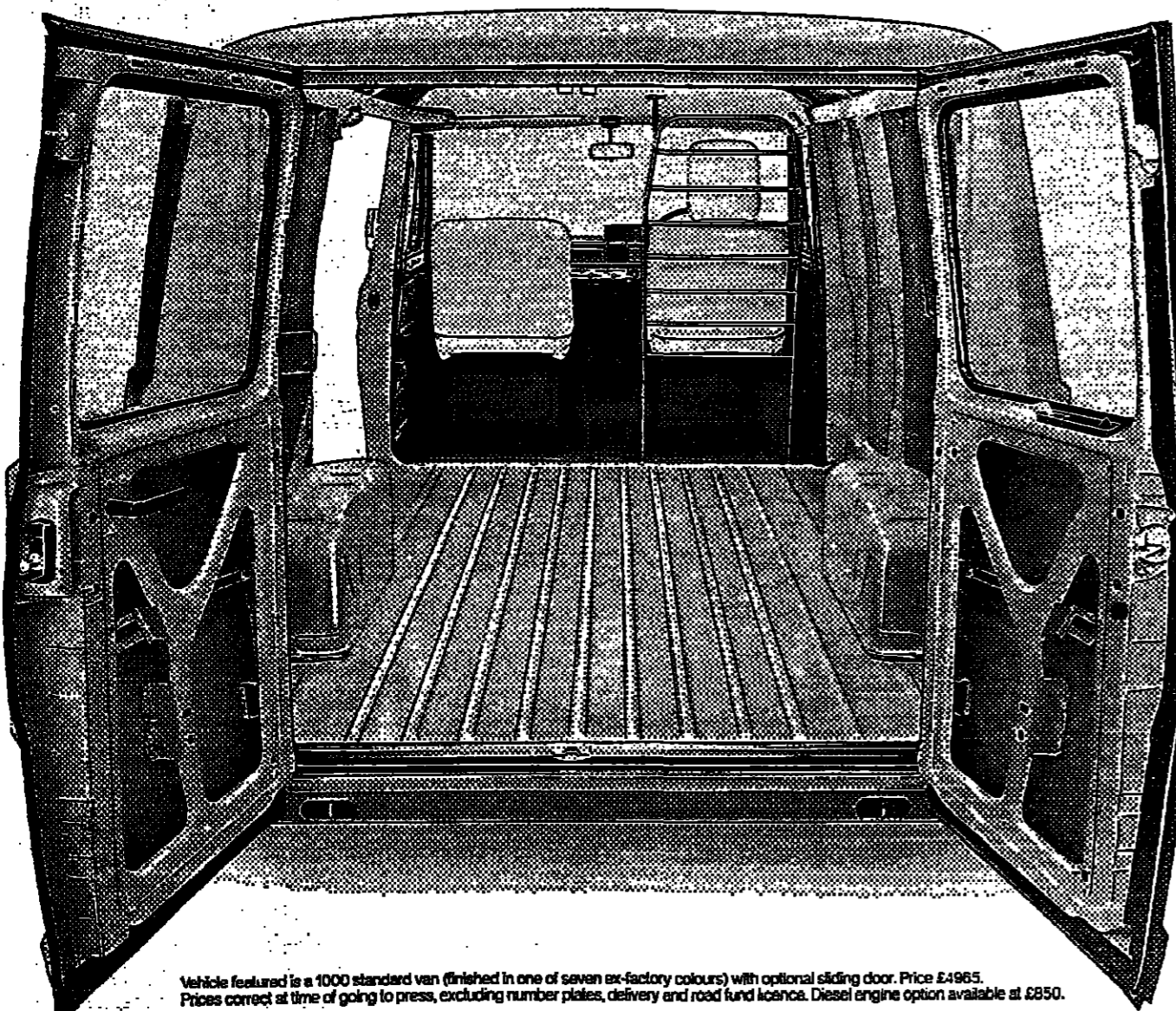


ABOVE: The Bedford CF electric van has a payload of 1 tonne and a range of 50-60 miles in typical urban conditions at a top speed of 50 mph. The production model was launched in January 1984 and over 175 vehicles have been built so far. BELOW: The Freight Rover Electric Sherpa, which also went into production last January, has a similar capacity and performance to Bedford's CF



The CF's battery pack is located in a pannier under the van's floor which leaves the load space clear.

# HUGE.



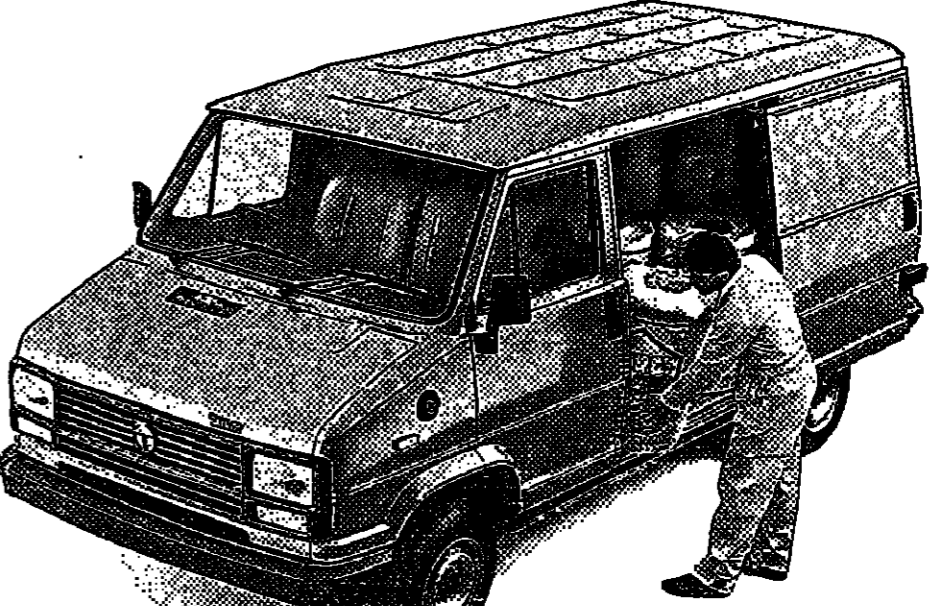
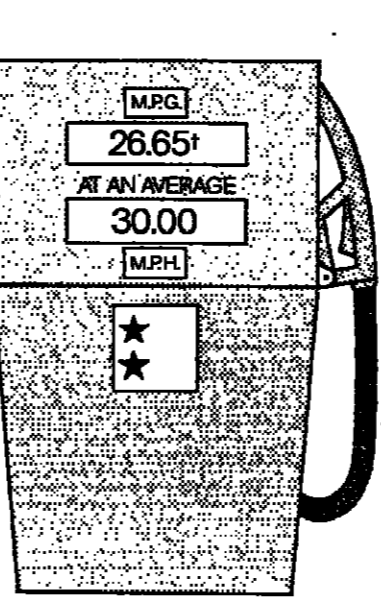
Vehicle featured is a 1000 standard van (finished in one of seven ex-factory colours) with optional sliding door. Price £4965. Prices correct at time of going to press, excluding number plates, delivery and road fund licence. Diesel engine option available at £850.

We asked van operators one simple question. "What should the ideal van do for you?" The reply was invariably. "Carry more—cheaper." It's not the sort of request we take lightly. So we purpose-built the Talbot Express. The 1300, for example, has a loadspace of 6.5 cubic metres, at least 10.4% bigger than the Ford Transit 120, Bedford CF250, and Freight Rover Sherpa 250. This is because all Talbot Express models are

front-wheel drive. So it's goodbye propshaft, and welcome to a lower loading height and longer load compartment, too. We'd obviously got the first part of the operators' equation spot on. But what about economy? Commercial Motor magazine tested the fully laden Talbot Express 1300\* over two routes, recording a fuel consumption of 26.65 mpg<sup>†</sup> on the Thames Valley route and 21.26 mpg<sup>††</sup> on their notoriously tough Kent route, using two-star petrol.

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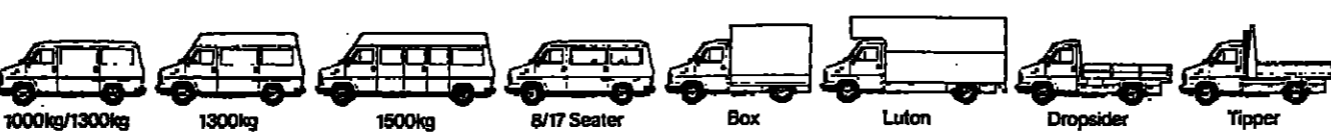
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## Vans and Light Trucks 6

# Market grows for improved 7.5 tonners

### Medium-sized trucks

KENNETH GOODING

THE MOST important new entry into the medium truck arena for some time emerged from Daimler-Benz in March this year when the Mercedes group launched a range from 6.5 tonnes to 11 tonnes gross weight.

The company has invested more than DM 200m (£72m) in the new range which will replace the Mercedes LP trucks. Last year 20,000 LP vehicles were produced at Daimler-Benz's Wörth plant about 20 per cent of its total output.

Prof Werner Breitschwerdt, D-B chairman, predicted that 25,000 of the new medium trucks will be produced each year when output reaches full capacity.

### Expensive

Sales will be confined mainly to industrialised Western European countries because the newcomers are bound to prove too up-market and expensive for other territories.

Daimler-Benz's British subsidiary launched two of the seven versions of the new range early this month, one at 7.5 tonnes and one at 11 tonnes. These are called the Mercedes 800 and 814 and they will be

competing for a hotly-contested UK market sector which in 1983 reached 11,470 registrations.

Mercedes' LP809 and LP813 models, now to be discontinued, held a 7.4 per cent market share last year. Mr Hans Tauscher, managing director of Mercedes-Benz (UK) foresees that the new trucks will rapidly lift his company's penetration to 10 per cent.

Daimler-Benz has managed to launch its new light trucks in Britain ahead of the key product in Leyland Trucks' recovery programme — code-named MT 211.

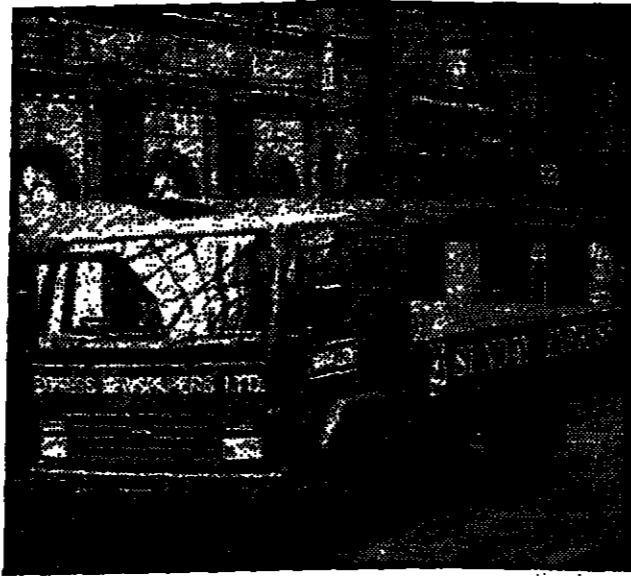
According to Mr Ron Hancock, chairman of Leyland Vehicles, the MT 211 is "as important to Leyland as the Metro was to Austin Rover."

MT 211 is a replacement for the 13-year-old Terrier which operates in the biggest part of the truck market in Britain—in volume terms. It represents about 30 per cent of truck sales.

The new models have gone into production at the Leyland, Lancs, plant for launch in the autumn so they will not have any profound impact on Leyland's position until 1985 at the earliest.

The old Terrier has been accounting for well over 10 per cent of its market segment and Leyland would be very disappointed if MT 211 did not do twice as well at the very least.

Leyland has spent about £200m to replace completely its truck ranges both for Europe



The Ford Carga, which will compete against Leyland's new MT 211. The Carga range starts at 6 tonnes and is the result of a £125m investment, mainly at the Langley, Berks, plant in the UK.

and for developing markets.

The European range, using the C40 cab, started at the low volume end with the top-weight Roadtrain. Many C40 components are used for the MT 211 which completes Leyland's "trucks for Europe" line-up.

Apart from the new Mercedes, the MT 211 faces competition from Ford's Cargo. Ford launched its Cargo range of trucks from 6 tonnes to 26.5 tonnes in 1981 following a £125m investment, mainly at the Langley, Berkshire, plant in the UK.

Daimler-Benz has decided to introduce its new range at the 7.5 tonnes level because in Britain the light truck market has tended to polarise at that weight and at 3.5 tonnes. At 3.5 tonnes an operators' licence is needed and at 7.5 tonnes a truck can be driven legally only by someone holding an HGV (heavy goods vehicle) licence.

An additional incentive for operators to keep below 3.5 tonnes is that tachographs must be fitted above that weight.

Consequently, the UK market for trucks between 3.5 tonnes and 7.5 tonnes has steadily declined. Unit sales in 1981 were 7,265, in 1982 they fell to 6,820 and last year were down again at 6,275.

At the 7.5 tonne point, however, registrations have moved up from 9,035 in 1981 to 9,990 in 1982 and 11,335 last year.

Ford expects that the 3.5-7.5 tonnes sector, which once accounted for 16 per cent of total registrations over 3.5 tonnes, will decline to 8 or 9 per cent. For this reason Ford did not replace the A-series after that range of trucks went

out of production a year ago.

The 12-year-old A series, assembled at Langley, would have needed too much money to be spent to bring it up to date in view of the low volumes involved. In the last full year, 1982, Ford produced only 300 A-series vehicles for Britain and 682 for export to West Germany, France and Italy.

Leyland also dropped out of the sector in 1981 when it ended production of the 20-year-old FG trucks. In the last year of production Leyland sold only 644 FGs.

Elimination of these main competitors has helped the Dodge 50, produced by Renault Truck Industries (formerly Carrier Motors) and which has been selling steadily at about 2,500 a year for the past three years. The Dodge 50 meets with regular demand from local authorities for special applications.

### Weight range

Last year the market shares of the various producers in the 3.5 to 7.5 tonnes sector (for two-axle rigid vehicles) were as follows: Ford had 35.8 per cent (of total 17,610 registrations) up from 35.2 per cent (of 16,005) in 1982. Dodge had 15.9 per cent (16.4 per cent), Bedford 13.4 per cent (14.8 per cent), Mercedes 13.3 per cent (11.6 per cent), and Leyland 8.8 per cent (10.4 per cent).

In its European Trucks forecast report, DRI Europe covers a wider weight range, from 3.5 tonnes to 14.9 tonnes. Registrations in the UK last year in this sector were 24,630, while in West Germany they reached 36,745, in France were 42,370, and in Italy 12,388.

# Boost for Ford's van output

### Diesels

KENNETH GOODING

SINCE THE beginning of this year Ford of Europe has revealed how devoted it has become to the idea that diesel engines will provide the power for the majority of light commercial vehicles in the future.

First came the launch of cars with Ford's new 1.6 litre diesel which is built at Dagenham in the UK and has been brought into production at the cost of \$195m.

The planned output of 150,000 a year will go mainly into Fiesta, Orion and Escort cars. But in some countries the diesel will give a considerable boost to sales of Ford's car-derived vans.

In Britain, for example, Ford believes that the new engine will do best as a power unit for the Escort van. Indeed, when General Motors introduced its 1.6 litre diesel to the Astra van range, it raced quickly up to 45 per cent of total sales.

Ford also this year has unveiled its 2.5 litre direct-injection diesel which the company says cost \$158m to bring to market.

Ford reckons that the direct-injection system gives the diesel a "best in class" performance and that the power unit will do the world of good for Transit van sales around Europe.

The Transit has been showing remarkable resilience in spite of being 19 years old while most of the competition has been no more than three years on the road—including the Volkswagen Transporter, Renault Trade, Fiat Ducato, Peugeot J5, Citroen C25, Talbot Express and the Toyota Hiace.

Mr Bob Currier, until his recent retirement Ford of Europe vice-president sales and marketing staff, said at the time of the car diesel launch: "The diesel market will be written by new entrants, more products. And it will grow as customers become more used to the modern diesel and learn that the newcomers are not noisy, smoky, smelly and slow to start."

And, as for the van sector, Mr Neil O'Sullivan, director of truck marketing, Ford of Europe, reckons that it will be the fastest-growing in Europe's commercial vehicle market, rising from 647,000 vehicles last

year at least 710,000 in 1990—and possibly to 750,000.

The diesel content of the total is forecast by Ford to increase from the current 55 per cent to 85 per cent with every market bar the UK and West Germany switching almost entirely to diesel power.

As for the two exceptions, Ford can see the diesel content of medium commercial vehicle sales in West Germany moving up from the current 45 per cent to 70 per cent by 1990 while in the UK diesels will capture 45 per cent by that year, up from only 16 per cent.

Independent analysts seem to agree with the Ford predictions.

242,900 out of the total volume of 452,225.

The Aid report suggests that by 1985 the total number of diesels among the 464,000 light commercials which probably will be held in those markets, 366,800 will be diesel powered—79 per cent.

To the Volkswagen group must go the credit for the diesel revolution in the part of the commercial vehicle market.

VW was the first manufacturer to introduce a diesel engine derived from a petrol unit. The diesel was used to power the VW Golf.

But the dramatic improvements VW had engineered into

under which a vehicle above 2.55 tonnes gross weight becomes subject to an annual commercial vehicle test. Lighter vehicles require only the same test as a car—beginning after three years.

That rule has encouraged operators to opt for the lighter vehicles. But these were predominantly petrol-powered. And "when diesels became more attractive the only engines available were heavy enough to take the gross weight of the vehicle over the crucial 2.55 tonnes limit."

The advent of new, lighter diesels and a legislative climate increasingly likely to favour

### LIGHT COMMERCIALS (2-3.5 TONNES) SALES

	1980		1981		1982		1983	
	petrol	diesel	petrol	diesel	petrol	diesel	petrol	diesel
Belgium	8,103	7,247	7,229	8,172	5,177	5,704	5,936	5,919
% of registrations	53	47	47	53	37	63	36	64
France	42,354	66,261	43,583	75,366	40,590	82,664	39,569	70,832
% of registrations	41	59	37	63	33	67	26	74
Italy	14,038	53,665	8,370	64,694	8,887	66,525	2,681	59,329
% of registrations	19	81	12	88	12	88	4	96
Netherlands	12,984	9,267	9,770	9,992	7,782	10,257	6,470	10,890
% of registrations	58	42	49	51	43	57	27	73
UK	89,134	16,522	63,351	12,821	74,858	17,019	81,641	20,588
% of registrations	84	16	84	16	81	19	89	20
West Germany	92,271	29,136	65,763	53,363	42,966	61,168	54,345	62,766
% of registrations	76	24	55	45	41	59	46	54

Source: Automotive Industry Data.

For example, Automotive Industry Data, in a recent report on prospects for the European light commercial vehicle industry, commented: "The demand for diesel vans is a spiral affected first by fuel prices, then by manufacturing improvements, more fuel crises and yet more improvements."

"The response by the majority of manufacturers has been such that the current rate of changes in the market place can only be expected to continue. New models are emerging and improvements being made to existing models that all lead to confirm the trend."

"In short, the market is no longer demand-driven but growth is now encouraged by the changes being wrought by the manufacturers themselves."

In the major European markets (Belgium, France, West Germany, Italy, the Netherlands, Spain and the UK) between 1974 and 1981 diesels in Britain—a big differential in the price of petrol and diesel fuel favouring the latter.

Another factor has been the unique situation in legislation

diesel cars was quickly transferred to its light commercials. In effect, VW showed other manufacturers that it would be possible to keep down the cost of new diesel engines by employing many components common to petrol units.

As the Aid report points out: "The upsurge in diesel engine production for cars had a knock-on effect and the benefits were passed on to the commercial vehicle side of the industry, particularly the light sector where petrol engine output exceeded that of diesel engines."

"Almost immediately (except for the UK) diesel-powered vehicle registrations began to increase and accelerate throughout the developed markets."

The UK has consistently lagged behind other European markets in the adoption of diesel engines (for cars as well as for light commercials) because one of the major motivating factors has been absent in Britain—a big differential in the price of petrol and diesel fuel favouring the latter.

Another factor has been the unique situation in legislation

diesel fuel should help overcome the obstacles in Britain.

The UK Government will have no reason to maintain its traditional "neutral" stance in the taxation of diesel and petrol once BL gets its own small diesel and can meet the competition from the Continent.

BL has been working with Perkins, the specialist diesel engine company, to produce an engine to fit its medium car range. Like the new Ford 2.5 litre unit, the BL-Perkins diesel will employ direct injection and subsequently should offer impressive fuel economy figures.

Manufacturers are also well aware that operators will only pay the price premium required to cover the extra cost of building diesel engines (particularly those with direct injection) if they can be sure of a pay-back.

For example, Ford's Mr O'Sullivan pointed out that his company's direct-injection unit would be priced only slightly higher than the old Ford Transit. "We want operators to be able to see quite clearly they can cover the extra cost in about six months."

### WESTERN EUROPE (15 COUNTRIES): REGISTRATIONS OF MEDIUM COMMERCIAL VEHICLES (VANS AND PICK-UPS)

	1979	1980	1981	1982	1983
Total sales ('000)	635.5	624.5	642.9	639.0	647.2
Market sales %					
Japanese	8.3	11.8	16.7	16.5	18.5
VW	18.9	20.2	18.5	17.2	16.5
Ford	18.0	18.5	14.8	16.0	14.4
Peugeot Group	12.2	11.1	9.1	10.3	9.9
Fiat	7.6	6.4	5.5	8.0	8.9
Mercedes	9.9	8.8	8.1	9.1	8.9
Renault Group	3.5	3.2	2.5	2.6	2.6
BL	4.9	4.3	3.7	3.6	4.1
General Motors	7.5	6.8	6.2	4.8	4.0
Motor Iberica	2.1	1.9	1.7	1.5	1.8
Lada Niva	2.0	1.4	0.9	1.1	1.4
Lada Rover SNTA	1.7	1.7	1.5	1.3	1.1

Industry sources

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هذا من الاصل



# Vans and Light Trucks 7

## Styling success leads the way

### Driver appeal

ALAN SUNTING

TO DRIVE vehicles with an all-up weight of 7.5 tonnes or less, no special qualifications are demanded in Britain, other than holding an ordinary car driving licence.

This legislation has concentrated sales of truck chassis at the "non-HGV" threshold weight, 7.5-tonners far outsell any other single category of "full-size" truck. Last year 11,470 units were registered in the UK.

Not surprisingly, the market is hotly contested, by Ford, Bedford, Leyland and Dodge models, built in Britain and imported from Mercedes-Benz, Fiat-Iveco, MAN-VW and Ebro (from Spain).

Driver appeal, at 7.5 tonnes gross, takes on more cosmetic connotations than it does at 38, 32 or even 1 tonnes. Unfortunately, truck manufacturers have generally paid less attention to drivers' comfort and convenience in their lighter models than in their heavies.

By and large 7.5-tonners display higher in-cab noise levels than their heavier-duty stablemates. The standard of ride is usually poorer, both laden and empty. Cab fittings and quality of finish are generally poorer in the non-HGV trucks. Power steering is more likely to figure as an extra-cost option than a standard fitting—though, to be fair, at higher gross weights it is indispensable.

Many non-HGV drivers are employed in a dual capacity. Where 7.5-tonners are making multi-drop deliveries of bread, or groceries or frozen foods to High Street retailers, the man in the cab is likely to be

classified as a driver-salesman.

His selling talents in persuading the grocery shop manager to take an extra cask of tinned fruit or breakfast cereal, in preference to a rival supplier, may well count for more than his driving prowess. Burned-out clutches and poor fuel economy caused by ruthless or careless driving will be overlooked if the volume of sales is rising steadily.

On the other hand the driver-salesman himself, however meagre his driving skills, might be wooed to change his job if the prospect arises of being able to "get his hands" on what he sees as a more glamorous or prestige "motor".

Other 7.5-tonners are driven by building site foremen, for instance, whose managerial qualities far outweigh their driving abilities, but who nevertheless wield influence on their employers when it comes to choice of replacement chassis.

### Discount

How are the current 7.5 tonne gross contenders perceived by British drivers? Last year the sector market leader was Ford, whose Cargo 0809, 0811 and 0813 chassis captured 47 per cent of UK registrations.

Leaving aside the effect of limited-period discount campaigns, Ford's success at 7.5 tonnes can be attributed in no small measure to the driver appeal of the Cargo and its specification in particular. Compared with the former D-series which it superseded three years ago, the Cargo range is more modern in every way. The cab is more spacious; it offers a lot more headroom and the layout of controls and instruments has been influenced by ergonomic considerations.

Window area is vastly increased over the D-series cab, which, from the driver's seat, now seems positively claustro-

phobic. Established Ford rivals such as the Leyland Terrier and Dodge Commando G08 have also been made to look dated in drivers' eyes by the sharply-styled Cargo.

Both the Terrier and Commando have been given cab face-lifts over the last three or four years. But dimensionally they remain unchanged from their introduction, the Dodge cab dating back to 1973 while the Leyland G-cab — with its BMC ancestry — first saw the light of day in 1964.

It is now an open secret that the Terrier (built at the now doomed Bathgate plant in Scotland) is due to be replaced shortly by a new range of Leylands engineered around the 7.5 tonne non-HGV threshold weight. Code-named MT211, the newcomers are to be produced at Leyland's main truck plant in Lancashire and will put heavy emphasis on their attraction to drivers.

A further derivation of the C40 cab, already used on all heavier Leylands, will put the MT211 in strong contention with the Ford Cargo, in terms of interior space and layout. Mechanically, the Terrier replacement is also designed to pamper drivers, with power-steering as standard for example.

Dodge, under its French Renault parent company, appears content to continue with the Commando range at 7.5 tonnes for the foreseeable future. The specification is relatively spartan, judged against more modern competitors. Less work has been done to subdue engine noise in the cab and to eliminate those cab details betraying 1960s thinking on vehicle refinement.

To put the Commando in its market perspective however, it is now probably the lowest priced 7.5-tonner, when discounts are taken into account, with the possible exception of Dodge's own semi-bonneted 60-series 7.5-tonner, which is aimed

at a specialist low-mileage, low-cost market.

When the Commando G08 is eventually replaced, the new 7.5-tonner will almost certainly have its engineering origins in Blainville, the big Normandy plant where Renault produces its middleweight trucks.

General Motors' UK Bedford truck subsidiary, now managed as an autonomous business, separated from Vauxhall Cars, came second in the 1983 league table of 7.5-tonner registrations, with 18.4 per cent. The Bedford TK, which dated back almost unbelievably to 1960, has just been withdrawn from production as a low-cost alternative to the main-seller, the TL introduced in 1980.

### Dated

Evolved from the basic design, the TL cab is higher, giving more headroom, and with a correspondingly deeper screen, eliminating the "beetle-browed" effect complained of by tall TK drivers.

In other respects the TL remains dated. Suspension and steering have a 1960s rather than a 1980s feel; layout of controls, fore-and-aft seat adjustment and seating position in relation to the steering wheel do not compare with Bedford's prime competition and the cab interior is short on refinement by to-day's standards.

But like the Dodge Commando, the TL meets a uniquely British requirement for relatively unsophisticated trucks in the 7.5-tonne gross category which are inexpensive and simple to maintain. The Bedford is also more rugged and of course better-proven than its mainline Ford Cargo rivals, with far less vulnerable "cosmetic" trim, thereby promising greater durability.

Foreign competition at 7.5 tonnes has till now been muted, although a surge of marketing effort last year by Mercedes-

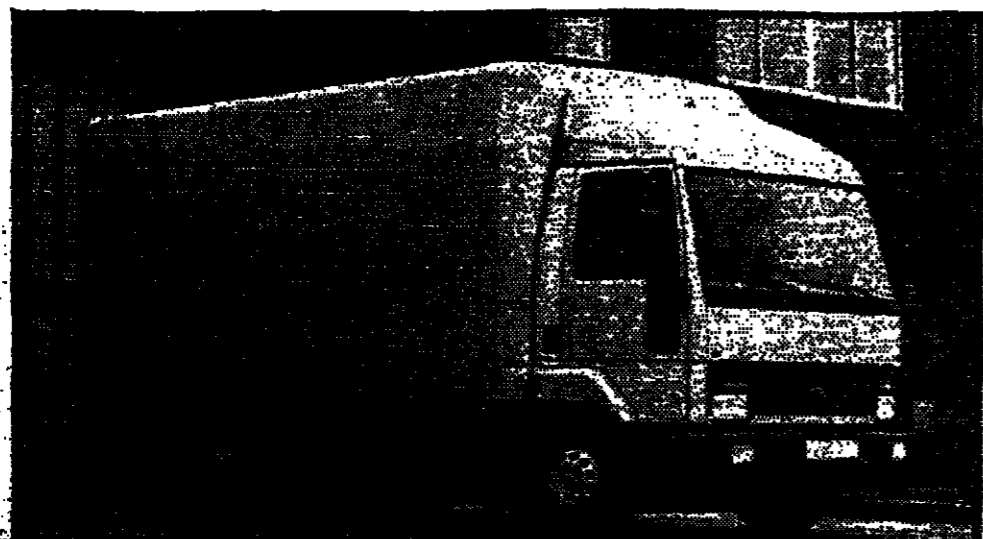
Benz won a 7.4 per cent share for its long-in-the-tooth LP808/813 models in the UK registrations table. A sizeable proportion of German and Italian 7.5-tonners are sold to owner-drivers who, like private car buyers, want to be different or to specify what they see as higher premium vehicles.

Fiat-Iveco's Z-range 7.5-tonners from Italy are popular with many small to medium-sized companies attracted by the vehicles' "big truck" configuration and the unique availability of an integral van version in two different wheel-bases.

From MAN-VW comes the MT-range of German middleweights, which are well-engineered and mechanically sophisticated. The 8.90 and 8.136 chassis share the familiar cab of the Volkswagen LT models which go down to 3 tonnes gross. As such, the cab is more compact than that of any other non-HGV chassis except the Dodge 50-series. Interior space is limited and some of the fittings seem inappropriately skimpy for an otherwise very refined 7.5-tonner.

Potentially the most significant 7.5 tonne introduction since the Ford Cargo's in 1981 is that of the all-new Mercedes-Benz 809 and 814 models, announced officially in Britain last week. The new Mercedes models represent a quantum leap forward in ergonomics, driver comfort and, that overworked term, refinement. The steering, roadholding and general road behaviour of the Mercedes 7.5-tonners come closer to private car standards than any previous commercial vehicle grossing more than 3.5 tonnes.

Undoubtedly the latest Mercedes trucks will create a benchmark for other manufacturers seeking to expand their 7.5-tonner sales by appealing to the person behind the wheel, especially where he is also the one who signs the cheque.



Ford's Concept Cargo truck incorporates many of the expected technological advances which should reduce fuel consumption by 20 per cent or so compared with existing rigid trucks. (The Cargo range itself is being extended downwards into the 6.5 tonne gross vehicle weight sector). One of the notable features of the concept vehicles are the "bridges" between truck cab and body, and front and rear wheels, aimed at reducing aerodynamic drag.

## Operating efficiency a vital factor

### Design

JOHN GRIFFITHS



Wind tunnel test at Mercedes-Benz. Advanced design keeps the side windows cleaner, reduces wind noise and has improved drag coefficient value.

ADVANCES IN vehicle aerodynamics, engine efficiency and electronics feature very prominently in the promotional activities of the car producers. Yet many of the advances related directly to increased operating economy seem to be of diminishing concern to car buyers. In the current climate of recovery from recession, many buyers are more concerned with performance and increasingly high levels of interior trim.

This is in stark contrast to buyers of commercial vehicles who see the sole purpose of a van or light truck as performing its function at minimum cost.

Hence a new, slope-fronted van which has a 10 per cent lower aerodynamic drag factor than a rival, producing a 6 per cent fuel economy improvement at a constant 70 mph, is of more than passing interest to, say, a company involved in distribution with a fleet of high-mileage vans making extensive use of the motorway or autobahn network.

Clever packaging by a manufacturer of a van's engine and drive train to intrude minimally on the driver's compartment and propel the front, rather than rear wheels, has disposing of the bulky transmission tunnel and lowering the load floor — is of considerable significance to the business whose goods have more bulk than weight.

And the company whose cost-cutting, with low-bulk, higher weight goods is going to be keenly interested in vehicle weight-saving developments such as increased use of plastics — particularly if, as in the UK, they allow it economically to use vans with gross weights below 3.5 tons. Above this weight an operator's licence becomes a requirement.

The continuing growth of service industries within Europe economies has endangered an increasing concern among van and light truck operators with the ability to carry bulk rather than payload. Renault observing the decline in the movement of engineering and heavy manufactured goods at the end of the 1970s, was one of the first to take the initiative. The result was the Trafic, and larger Master vans, offering — for the first time from any manufacturer — the options of front- or rear-wheel drive. These have stood the company in good stead since the launch of the range in 1982.

The front-wheel drive variants, particularly providing maximum "cash" increase, push up Renault's UK market share, for example, from 6 per cent to 9 per cent in the last 12 months.

### Bodywork

This same concern with "cash" explains why Ford this year has moved to offer extended wheelbase chassis cab versions of its Transit van. While the Transit's gross vehicle weight remains at the 3.5 tonnes operator's licence threshold, the 18 inch extra length is aimed primarily at allowing the fitting of increased bulk-carrying bodywork.

The same concern was evident in the anxiety of Freight Rover, BL's van subsidiary, to bring its 3.5 tonne version of the Sherpa van to market (previously, Sherpas had maximum weights of 2.5 tonnes). With the bigger Transit, says Freight Rover's managing director, Mr George Simpson: "We can now consider making a real push into the Continent."

The trend to bigger vehicles, he points out, is quite simply because the economies are better. Indeed, he does not rule out the possibility of introducing larger-sized Sherpas, say 4.5 to 5 tons, to take on the very large vans produced mainly by Daimler-Benz and Iveco which benefit from the greater preoccupation with bulk carriage.

At the lower end of the van market, those derived from cars, advances in aerodynamics, suspensions and other areas

have been won very cheaply, as costs are spread over car production as well. But there have been disadvantages: the sharply raked backs of smaller hatchback models on which vans have been based, for example, are hardly the most efficient in carrying capacity terms.

This is not so much the case on larger models, such as the Bedford "Astra" vans, where estate car versions lend themselves more readily to functional van designs.

### Carrying space

But the increasing flexibility of manufacturing systems indicates that the process could be taken further, still at relatively low cost, by the provision of completely purpose-built bodies on the "base" car's platform, specifically designed to give maximum carrying space.

Fiat's Fiorino van — basically a square-sectioned derivative of the Fiat's 127 car model — provided a fine example of the concept. But at least on other major manufacturers — is considering doing a similar route with larger models.

One of the more intriguing developments is Bedford's apparent intention to proceed with production of a "microvan" based on a model produced by Suzuki. These are mini panel vans, and in Suzuki's case powered by an 800 cc engine. While payload is relatively low, about 240 kg, the no-compromise box shape does maximise the volume of goods that can be carried.

Additionally, fuel economy is very high compared with the conventional car-derived van. In Japan, where the "micro" originated and where typical engine sizes are 500 cc, fuel consumption of more than 100 mpg is claimed.

Production of such vans jumped in Japan from 50,000 units in 1977 to about 1m last year. They began to appear in European markets a few years ago, but increasing import restraints led to the Japanese reducing shipments in favour of larger vans with higher value per unit.

Bedford's decision to build them for sale throughout Europe could, it is suggested, lead to the demise of the small car-derived vans of the Ford Fiesta and Austin Metro type. Certainly, there is to be no Bedford van version of the Spanish-built Vauxhall Nova/Opel Corsa — on the basis that the microvan will pre-empt demand for it.

Austin Rover, however, refuses to confirm or deny that it, too, is considering such a venture with cars partner Honda, which produces its own microvan, the Acty.

Meanwhile, the industry is scanning the horizon for the first clues as to what design shape the successor to Europe's best-selling light commercial, Ford's Transit, will take, and the technical innovations which will accompany it.

Certainly, Triton will incorporate what Ford has already unveiled this year as a "world first" — a high speed direct injected diesel engine which since January has been produced at Dagenham for installation in the Transit.

The direct injection unit has obvious benefits: it is more fuel-efficient than conventional indirect injection diesels by almost the same amount as the diesel is more economical than the petrol engine — at least 15 per cent. It also starts more easily, and is less polluting.

The principle is common enough on large, slow-revving truck engines — but to successfully build a unit capable of revving to 4,000 rpm or more has hitherto eluded all manufacturers. The 2.5 litre unit, says Ford, allows Transit operators to realise fuel savings of up to 24 per cent on one tonne payload, short wheelbase Transits, and up to 20 per cent on heavier models compared with the York indirect injection diesel previously fitted.

Other advantages claimed are a 50 per cent increase in engine life, to 160,000 kilometres, before a major overhaul is needed. Routine service costs are said to have been reduced by 30 per cent.

Ford should not be alone in the direct injection market for long. Austin Rover and Perkins plan to jointly produce a direct injection version of the "O" series car engine early next year, likely to see service in Austin Rover cars and vans, including the planned Maestro-based van.

### Cost-effective

Many of the technological advances being made, particularly in terms of automatic transmissions and electronics, are cost-effective for the industry as a whole because they can be applied equally to cars and commercials without heavy separate development costs.

For example, multiplex wiring, used as part of computer systems controlling not just basic functions such as lights, wipers and signalling — but engine and drive train management, will appear in the next two to three years.

From this point of view of the commercial vehicle, multiplexing is particularly significant for the weight-saving and simplicity offered. The transmission of commands is via a two-way "bus" line, dispensing with the heavy, complex mass of the conventional wiring loom.

Plastic body panels, with internal reinforcement rather than the space-consuming reinforcing struts on metal panels, are also likely to appear.

Meanwhile, GKN has unveiled plastic composite suspension springs, weighing up to 50 per cent less than metal ones. Other stress bearing but light plastic components are inevitable.

And the knock-on effect of them will be that, as the vehicle becomes lighter without shrinking in size, it can, if required, use smaller and lighter engines to propel it. Taken together, these developments should see the advent of vans by the end of the decade which are significantly more fuel-efficient even than the latest models on the road today.

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